



IVY

# Global Natural Resources Fund [IGNAX]

Q2/10 Portfolio information as of June 30, 2010

## PORTFOLIO MANAGEMENT



**Fred Sturm, CFA,** has 28 years experience in the industry and 13 years with the fund.

Fred Sturm, CFA, is senior vice president at Mackenzie Financial Corporation. Mr. Sturm has managed Ivy Global Natural Resources Fund since its inception in January of 1997. Mr. Sturm earned a degree in commerce and finance from the University of Toronto and is a CFA charterholder.

## MARKET SECTOR UPDATE

The moderation in global economic activity and the commensurate sell-off in equities have headlines scripting double-dip recession. While it is early for governments to jump on the aggressive fiscal discipline bandwagon, and we do not like that fiscal stimulus could turn into mild fiscal drag, we do like that monetary policy will probably remain looser as a result and western central banks are unlikely to raise interest rates much for the balance of 2010. Government debt will be a challenge, but corporate balance sheets are solid and better structured than just two years ago. Financial strength is visible within the Fund where many companies have little to no debt and very solid coverage ratios.

## PORTFOLIO STRATEGY

Resources and commodity prices appear to be at the epicenter of the risk-on/risk-off trade. Recognizing that fear could feed on itself in this consolidation phase, we raised cash to 5 percent and layered in some defensive (short) hedges for roughly an additional 10 percent. Gold has been strong, and we continue to believe in a continued rising trend. The Gulf of Mexico oil spill negatively impacted the Fund's relative performance. At the end of the first quarter the Fund's larger holdings included world-class services companies involved in the disaster—Halliburton, Cameron and Transocean. We did not hold BP or junior partner Anadarko. Global electricity demand is growing at twice the rate of total global energy demand. If coal prices are sustained at higher levels than investors are valuing, then coal stocks have plenty of upside. In the United States, natural gas will be the electricity growth fuel. Therefore, we selectively focus on companies with concentrated low-cost shale plays.

## OUTLOOK

The portfolio remains balanced with financially strong companies, a tilt towards energy, and is positioned for an expectation of continued moderate growth. As markets price in a potential double dip, valuations are becoming more compelling. Share prices could slip further awaiting more constructive headlines. We would clearly see this as a reason to rebalance into resources and, where there is room, to increase exposure. We are also hopeful that a more positive phase for resources before year end will provide a window to recover some of the moderate underperformance.

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. International investing involves additional risks including currency fluctuations, political or economic conditions affecting the foreign country, and differences in accounting standards and foreign regulations. These risks are magnified in emerging markets. Investing in natural resources can be riskier than other types of investment activities because of a range of factors, including price fluctuation caused by real and perceived inflationary trends and political developments; and the cost assumed by natural resource companies in complying with environmental and safety regulations. Investing in physical commodities, such as gold, exposes the fund to other risk considerations such as potentially severe price fluctuations over short periods of time. As with any mutual fund, 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 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.**



**IVY FUNDS**<sup>®</sup>  
PROVEN | FOCUSED | CONSTANT

Ivy Funds Distributor, Inc.

TMF1948C (08/10)