



IVY

Core Equity Fund [WTRCX]

Q2/10 Portfolio information as of June 30, 2010

PORTFOLIO MANAGEMENT



Gus C. Zinn, CFA, has 12 years of experience in the industry and four years with the fund.

Gus C. Zinn, CFA, is a vice president of Ivy Investment Management Company. Mr. Zinn graduated from the University of Wisconsin-Madison with a B.B.A in 1996 and his M.B.A. in finance in 1998. Mr. Zinn joined the Ivy organization in 1998 as an investment analyst. He assumed assistant portfolio manager responsibilities for the Ivy Science and Technology Fund in 2003. Mr. Zinn was named co-portfolio manager of the Ivy Core Equity Fund in 2006.



Erik R. Becker, CFA, has 12 years of experience in the industry and four years with the fund.

Erik R. Becker, CFA, is a vice president of Ivy investment Management Company. Mr. Becker earned a B.B.A in finance, investment, and banking in August 1997 and a M.S. in finance in May 1999 from the University of Wisconsin-Madison. Mr. Becker joined the Ivy organization in 1999 as an investment analyst. He assumed assistant portfolio manager responsibilities in 2003 for the Ivy Core Equity Fund. He was named co-portfolio manager of the Ivy Core Equity Fund in 2006.

MARKET SECTOR UPDATE

During second quarter 2010, the Fund performed in line with the broader market. Materials, financials and energy sectors performed the worst during the quarter while utilities, technology, and consumer staples outpaced the market. However all 10 sectors reported negative returns. Economically-sensitive stocks declined substantially as investor confidence waned due to the global economic recovery. Early in the quarter we sold positions within the financials, industrial, and materials sectors while raising cash and investing more in stable growers to pare back portfolio risk. While these moves had positive effect, the portfolio still fell meaningfully as cash was the only true safe haven.

PORTFOLIO STRATEGY

Our strategy continues to focus on companies that we believe have the opportunity to significantly exceed multi-year earnings forecasts and are in strong competitive positions. The composition of the portfolio has changed to emphasize more stable growth companies and industries as 12-to-24-month visibility on earnings in many cyclical areas has diminished. We look to identify stocks that are major beneficiaries of multi-year themes we view as underappreciated, as well as stocks with their own company-specific drivers for earnings outperformance. Currently, the most prominent themes include credit loss normalization in the financial sector, mobile computing adoption, energy services, and to a lesser extent rebounding consumer spending.

OUTLOOK

We believe that near-term profits will surprise on the upside given reduced cost structures and healthy demand through the second quarter. However, market events over the past three months have led us to question the rate of recovery in global gross domestic product (GDP). The first event was a substantial rise in government bond yields in European nations. This occurred as investors questioned the creditworthiness of nations such as Greece, Spain, and Portugal that had run up large fiscal deficits in an attempt to spend their way out of recession. Second, the Chinese government moved to slow down inflation in property prices with a series of measures to avoid a U.S.-like property bubble. Third, the U.S. government launched an indictment against Goldman Sachs related to their actions in the financial crisis. This put the financial community and business leaders on notice that financial regulation would be aggressive and that it would have far reaching effects on profits, credit availability and potentially growth. Fourth, employment indicators began to stall in March and April. Finally, the dollar began an ascent against other major currencies to a level not seen since the height of the financial crisis. These events have highlighted risks in the current investment climate that could dampen consumer and business leader optimism.

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. 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 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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