



IVY

Dividend Opportunities Fund [IVDAX]

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

PORTFOLIO MANAGEMENT



David P. Ginther, CPA, has 15 years of experience in the industry and seven years with the fund.

David P. Ginther, CPA, is a senior vice president of Ivy Investment Management Company. Mr. Ginther joined the Ivy organization in March 1995 as an investment analyst. He was named assistant portfolio manager of the Ivy Core Equity Fund in 1999. Mr. Ginther was named portfolio manager of the Ivy Dividend Opportunities Fund in July 2003. Prior to joining the Ivy organization, Mr. Ginther was a senior business analyst/financial analysis and coordination with Amoco Corporation from 1986-1995. Mr. Ginther graduated from Kansas State University in 1986 with a B.S. in accounting. He earned a Certified Public Accountant designation in 1992.

MARKET SECTOR UPDATE

The second quarter of 2010 was volatile for U.S. equities as a confluence of events weighed on equities. Among the largest factors impacting market performance were intensifying concerns that Europe would lead the world into a second global recession in three years or at least spur a double-dip recession, and anxiety about slowing economic growth in China. 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, which additionally restrained performance. 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

Our strategies during the second quarter were most impacted by the Gulf oil spill, given the Fund's significant exposure to the energy sector. The market reacted almost immediately—in our view, actually overreacted—to the explosion. This response was not surprising, especially given the gravity of the headlines, the loss of human life and the black eye the event has given the industry as a whole. BP, of course, will take the hardest hit in terms of stock value, cleanup and reparation. The Fund was not exposed to BP, but did hold stock of other firms that were meaningfully involved.

We sold down the Fund's position in one firm significantly but still maintain a small exposure. Other Energy Fund holdings fell on the news but have subsequently rebounded. In our view, the spill did not affect the fundamentals of the firms we're still holding—just the sentiment surrounding them. Given our confidence in their long-term viability, we took advantage of their price declines to increase the Fund's exposure to both. Other factors that impacted Fund performance included its positioning for growth, which in retrospect was a bit premature. The economy is still growing, but at a more tepid pace, and we have reigned in our expectations somewhat.

OUTLOOK

Despite the challenging issues that persist, we remain optimistic. We don't see signs of impending recession, such as dwindling demand or rising inventories. Commodities prices are down a bit, but it's been a measured decline rather than a plunge. Banks are recapitalizing and corporate earnings are steadily improving. That's positive news, but at this point, many American businesses are sitting on a lot of cash. Their capital expenditures aren't where we'd like them to be; corporations are suffering the same crisis of confidence as individual investors. While that is understandable, we do not think it will continue indefinitely. In addition, interest rates remain accommodative and are likely to remain low for some time, and we don't see inflation on the horizon, at least for the time being. Our greatest concerns at this point are U.S. unemployment, which has failed to show signs of any significant improvement, and slowing expectations for growth outside the United States. Although substantial problems remain and dwindling confidence is driving volatility, we see the glass as half full, rather than half empty. We are hopeful about finding good opportunities at attractive prices in the months ahead, especially once the Gulf oil spill is under control.

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. Dividend-paying investments may not experience the same price appreciation as non-dividend paying instruments. 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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