



# Semiannual Report

SEPTEMBER 30, 2005

Ivy Balanced Fund

Ivy Bond Fund

Ivy Cash Reserves Fund

Ivy Cundill Global Value Fund

Ivy Dividend Income Fund

Ivy European Opportunities Fund

Ivy Global Natural Resources Fund

Ivy International Fund

Ivy International Balanced Fund

Ivy International Value Fund

Ivy Mortgage Securities Fund

Ivy Pacific Opportunities Fund

Ivy Real Estate Securities Fund

Ivy Small Cap Value Fund

Ivy Value Fund



IVY FUNDS

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**This report is submitted for the general information of the shareholders of Ivy Funds. It is not authorized for distribution to prospective investors in the Funds unless preceded or accompanied by a current Ivy Funds prospectus and current performance information.**

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# President's Letter

*September 30, 2005*



## DEAR SHAREHOLDER:

Enclosed is our report on your Fund's operations for the six months ended September 30, 2005. Over the period, the financial markets remained fairly resilient in the face of challenges from a variety of directions. The S&P 500 Index increased 5.02 percent during the six-month period, while the Dow Jones Industrial Average rose 1.76 percent. Bonds also rose slightly, with the Citigroup Broad Investment Grade Index returning 2.43 percent over the last six months.

Between April and September, the financial markets weathered increasing energy prices, rising interest rates, budding inflationary pressures and, most dramatically, the fallout from two major hurricanes that tragically struck this country's Gulf Coast. Hurricane Katrina silenced an entire major American city, along with the largest port facility in the country, which is the fifth largest port in the world. Compounded by Hurricane Rita several weeks later, it brought devastating circumstances across four states and an economic impact that is still being evaluated.

Despite the setbacks, the U.S. economy has remained solid. Corporate profits overall have generally been relatively strong, and global economies remain fundamentally sound. We do believe, however, that economic growth likely will slow somewhat in the U.S. in the third and fourth quarters of 2005, due to higher interest rates and higher energy prices.

The Federal Reserve apparently believes the economy is sound enough that it has continued its campaign of steadily raising short-term interest rates. Most recently, the Fed enacted another quarter-point increase in late September, bringing interest rates to 3.75 percent. The Fed stated that it still believes monetary conditions remain "accommodative," indicating apparently that they intend to continue raising rates somewhat further.

The other major development during the period was the rapid rise of oil prices. Crude oil hovered just above \$40 per barrel at the onset of 2005. By the end of September, the price surpassed \$65 per barrel. The world is facing constraints in supply such as we have never seen before. Many are forecasting that prices may ease some toward year-end, but we believe that, longer term, higher prices are here to stay. As investors, we must remain aware of that reality, its impact on the world economies, and any opportunities that it may create.

Regardless of the short-term challenges brought on by economic or geopolitical events - and although past performance is no guarantee of future results - stocks have historically continued to rise over time. That is why we believe it is important to develop and maintain a long-term financial plan for your personal situation. Through appropriate diversification among four or five or so

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different asset classes, you can potentially provide more balance to your investment portfolio over time.

Your financial advisor can help you with these strategies and work with you to develop and maintain a customized plan based on your individual situation. We believe that focusing

on that plan, despite the swings of the market, is important as you work toward a sound financial future.

Thank you for your partnership and your continued commitment to your investment program.

Respectfully,

A handwritten signature in black ink, reading "Henry J. Herrmann". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Henry J. Herrmann, CFA  
President

The opinions expressed in this letter are those of the President of the Ivy Funds and are current only through the end of the period of the report, as stated on the cover. The President's views are subject to change at any time, based on market and other conditions, and no forecasts can be guaranteed.

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# Illustration of Fund Expenses

As a shareholder of a Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase payments, redemption fees and exchange fees; and (2) ongoing costs, including management fees, distribution and service fees, and other Fund expenses. The following table is intended to help you understand your ongoing costs (in dollars) of investing in a Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the six-month period ended September 30, 2005.

## Actual Expenses

The first line for each share class in the following tables provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, a \$7,500 account value divided by \$1,000 = 7.5), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period. There may be additional fees charged to holders of certain accounts that are not included in the expenses shown in the table. These fees apply to Individual Retirement Accounts (IRAs), IRA Rollovers, Roth IRAs, Conversion Roth IRAs, Simplified Employee Pension (SEP), Simple IRAs, Tax-Sheltered Accounts (TSAs), Keogh Plans, Owner Only 401(k) (Exclusive K) Plans and Final Pay Plans. As of the close of the six months covered by the table, a customer is charged an annual fee of \$15 within each plan type. This fee is waived for IRA Rollovers and Conversion Roth IRAs if the customer owns another type of IRA. Coverdell Education Savings Account plans are charged an annual fee of \$10 per customer. You should consider the additional fees that were charged to your Fund account over the six-month period when you estimate the total ongoing expenses paid over the period and the impact of these fees on your ending account value as such additional expenses are not reflected in the information provided in the expense table. Additional fees have the effect of reducing investment returns.

## Hypothetical Example for Comparison Purposes

The second line for each share class of the following tables provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges (loads), redemption fees or exchange fees. Therefore, the second line of each share class in the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

## Ivy Balanced Fund Expenses

	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2005				
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,036.30	1.43%	\$ 7.32
Class B .....	1,000	1,030.80	2.43	12.37
Class C .....	1,000	1,031.50	2.34	11.94
Class Y .....	1,000	1,037.20	1.27	6.47
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,017.88	1.43%	\$ 7.25
Class B .....	1,000	1,012.89	2.43	12.26
Class C .....	1,000	1,013.32	2.34	11.83
Class Y .....	1,000	1,018.72	1.27	6.41

## Ivy Bond Fund Expenses

	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2005				
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,019.90	1.25%	\$ 6.32
Class B .....	1,000	1,014.00	2.41	12.15
Class C .....	1,000	1,014.30	2.33	11.78
Class Y .....	1,000	1,019.30	1.37	6.92
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,018.81	1.25%	\$ 6.32
Class B .....	1,000	1,013.00	2.41	12.15
Class C .....	1,000	1,013.37	2.33	11.78
Class Y .....	1,000	1,018.22	1.37	6.91

## Ivy Cash Reserves Fund Expenses

	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2005				
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,010.10	1.25%	\$ 6.30
Class B .....	1,000	1,010.10	1.25	6.30
Class C .....	1,000	1,010.10	1.25	6.30
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,018.80	1.25%	\$ 6.33
Class B .....	1,000	1,018.80	1.25	6.33
Class C .....	1,000	1,018.80	1.25	6.33

See footnotes on page 12.

## Ivy Cundill Global Value Fund Expenses

	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2005				
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,087.00	1.68%	\$ 8.81
Class B .....	1,000	1,082.00	2.56	13.36
Class C .....	1,000	1,083.80	2.33	12.19
Class Y .....	1,000	1,089.70	1.17	6.15
Class I .....	1,000	1,088.30	1.31	6.88
Advisor Class .....	1,000	1,090.10	1.15	6.04
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,016.63	1.68%	\$ 8.51
Class B .....	1,000	1,012.24	2.56	12.91
Class C .....	1,000	1,013.37	2.33	11.78
Class Y .....	1,000	1,019.18	1.17	5.95
Class I .....	1,000	1,018.48	1.31	6.65
Advisor Class .....	1,000	1,019.29	1.15	5.84

## Ivy Dividend Income Fund Expenses

	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2005				
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,098.40	1.51%	\$ 7.92
Class B .....	1,000	1,094.30	2.36	12.41
Class C .....	1,000	1,093.50	2.33	12.25
Class Y .....	1,000	1,099.20	1.36	7.16
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,017.52	1.51%	\$ 7.62
Class B .....	1,000	1,013.22	2.36	11.93
Class C .....	1,000	1,013.37	2.33	11.78
Class Y .....	1,000	1,018.25	1.36	6.88

See footnotes on page 12.

## Ivy European Opportunities Fund Expenses

	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2005				
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,039.60	1.73%	\$ 8.85
Class B .....	1,000	1,035.90	2.49	12.68
Class C .....	1,000	1,035.80	2.43	12.40
Class Y .....	1,000	1,040.20	1.54	7.88
Advisor Class .....	1,000	1,041.70	1.24	6.36
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,016.39	1.73%	\$ 8.75
Class B .....	1,000	1,012.61	2.49	12.54
Class C .....	1,000	1,012.89	2.43	12.26
Class Y .....	1,000	1,017.35	1.54	7.79
Advisor Class .....	1,000	1,018.84	1.24	6.29

## Ivy Global Natural Resources Fund Expenses

	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2005				
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,182.80	1.45%	\$ 7.92
Class B .....	1,000	1,177.30	2.28	12.47
Class C .....	1,000	1,178.20	2.19	11.98
Class Y .....	1,000	1,184.10	1.20	6.57
Advisor Class .....	1,000	1,183.50	1.31	7.18
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,017.81	1.45%	\$ 7.32
Class B .....	1,000	1,013.62	2.28	11.53
Class C .....	1,000	1,014.07	2.19	11.08
Class Y .....	1,000	1,019.05	1.20	6.08
Advisor Class .....	1,000	1,018.49	1.31	6.64

See footnotes on page 12.



## Ivy International Fund Expenses

For the Six Months Ended September 30, 2005	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,145.70	1.65%	\$ 8.85
Class B .....	1,000	1,138.50	2.88	15.44
Class C .....	1,000	1,140.10	2.68	14.38
Class Y .....	1,000	1,145.70	1.62	8.73
Class I .....	1,000	1,146.10	1.41	7.61
Advisor Class .....	1,000	1,127.40	4.65	24.79
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,016.82	1.65%	\$ 8.32
Class B .....	1,000	1,010.63	2.88	14.52
Class C .....	1,000	1,011.63	2.68	13.52
Class Y .....	1,000	1,016.93	1.62	8.21
Class I .....	1,000	1,017.98	1.41	7.15
Advisor Class .....	1,000	1,001.76	4.65	23.33

## Ivy International Balanced Fund Expenses

For the Six Months Ended September 30, 2005	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,037.70	1.44%	\$ 7.34
Class B .....	1,000	1,031.80	2.61	13.31
Class C .....	1,000	1,033.10	2.33	11.88
Class Y .....	1,000	1,037.20	1.43	7.30
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,017.87	1.44%	\$ 7.26
Class B .....	1,000	1,011.97	2.61	13.18
Class C .....	1,000	1,013.38	2.33	11.77
Class Y .....	1,000	1,017.90	1.43	7.23

See footnotes on page 12.

## Ivy International Value Fund Expenses

	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2005				
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,158.50	1.94%	\$10.52
Class B .....	1,000	1,154.00	2.73	14.77
Class C .....	1,000	1,154.10	2.76	14.90
Class Y .....	1,000	1,159.80	1.82	9.84
Advisor Class .....	1,000	1,159.70	1.88	10.16
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,015.32	1.94%	\$ 9.82
Class B .....	1,000	1,011.36	2.73	13.79
Class C .....	1,000	1,011.24	2.76	13.91
Class Y .....	1,000	1,015.96	1.82	9.18
Advisor Class .....	1,000	1,015.66	1.88	9.48

## Ivy Mortgage Securities Fund Expenses

	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2005				
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,020.60	0.95%	\$ 4.81
Class B .....	1,000	1,014.50	2.15	10.85
Class C .....	1,000	1,015.60	1.94	9.82
Class Y .....	1,000	1,020.10	1.05	5.32
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,020.31	0.95%	\$ 4.81
Class B .....	1,000	1,014.30	2.15	10.85
Class C .....	1,000	1,015.33	1.94	9.81
Class Y .....	1,000	1,019.80	1.05	5.32

See footnotes on page 12.

## Ivy Pacific Opportunities Fund Expenses

	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2005				
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,155.50	2.05%	\$11.10
Class B .....	1,000	1,150.40	3.00	16.16
Class C .....	1,000	1,150.90	2.88	15.54
Class Y .....	1,000	1,157.50	1.74	9.42
Advisor Class .....	1,000	1,159.00	1.47	7.96
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,014.77	2.05%	\$10.38
Class B .....	1,000	1,010.04	3.00	15.11
Class C .....	1,000	1,010.62	2.88	14.53
Class Y .....	1,000	1,016.34	1.74	8.80
Advisor Class .....	1,000	1,017.70	1.47	7.44

## Ivy Real Estate Securities Fund Expenses

	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
For the Six Months Ended September 30, 2005				
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,158.90	1.66%	\$ 9.00
Class B .....	1,000	1,153.20	2.68	14.48
Class C .....	1,000	1,153.50	2.48	13.39
Class Y .....	1,000	1,160.40	1.40	7.59
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,016.73	1.66%	\$ 8.41
Class B .....	1,000	1,011.62	2.68	13.53
Class C .....	1,000	1,012.63	2.48	12.52
Class Y .....	1,000	1,018.04	1.40	7.09

See footnotes on page 12.

## Ivy Small Cap Value Fund Expenses

For the Six Months Ended September 30, 2005	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,055.10	1.81%	\$ 9.34
Class B .....	1,000	1,050.00	2.84	14.61
Class C .....	1,000	1,051.60	2.55	13.11
Class Y .....	1,000	1,057.30	1.41	7.28
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,015.98	1.81%	\$ 9.16
Class B .....	1,000	1,010.82	2.84	14.33
Class C .....	1,000	1,012.29	2.55	12.86
Class Y .....	1,000	1,017.99	1.41	7.14

## Ivy Value Fund Expenses

For the Six Months Ended September 30, 2005	Beginning Account Value 3-31-05	Ending Account Value 9-30-05	Annualized Expense Ratio Based on the Six-Month Period	Expenses Paid During Period*
<b>Based on Actual Fund Return<sup>(1)</sup></b>				
Class A .....	\$1,000	\$1,032.70	1.57%	\$ 8.02
Class B .....	1,000	1,027.50	2.53	12.86
Class C .....	1,000	1,028.10	2.45	12.43
Class Y .....	1,000	1,033.40	1.32	6.72
<b>Based on 5% Return<sup>(2)</sup></b>				
Class A .....	\$1,000	\$1,017.18	1.57%	\$ 7.96
Class B .....	1,000	1,012.38	2.53	12.77
Class C .....	1,000	1,012.81	2.45	12.34
Class Y .....	1,000	1,018.46	1.32	6.67

\*Fund expenses for each share class are equal to the Fund's annualized expense ratio for each share class (provided in the table), multiplied by the average account value over the period, multiplied by 183 days in the six-month period ended September 30, 2005, and divided by 365.

(1) This section uses the Fund's actual total return and actual Fund expenses. It is a guide to the actual expenses paid by the Fund in the period. The "Ending Account Value" shown is computed using the Fund's actual return and the "Expenses Paid During Period" column shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. A shareholder may use the information here, together with the dollar amount invested, to estimate the expenses that were paid over the period. For every thousand dollars a shareholder has invested, the expenses are listed in the fourth column.

(2) This section uses a hypothetical 5% return and actual Fund expenses. It helps to compare the Fund's ongoing costs with other mutual funds. A shareholder can compare the Fund's ongoing costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

The above illustrations are based on ongoing costs only and do not include any transactional costs, such as sales loads, redemption fees or exchange fees.

# SHAREHOLDER SUMMARY OF IVY BALANCED FUND

## Portfolio Highlights

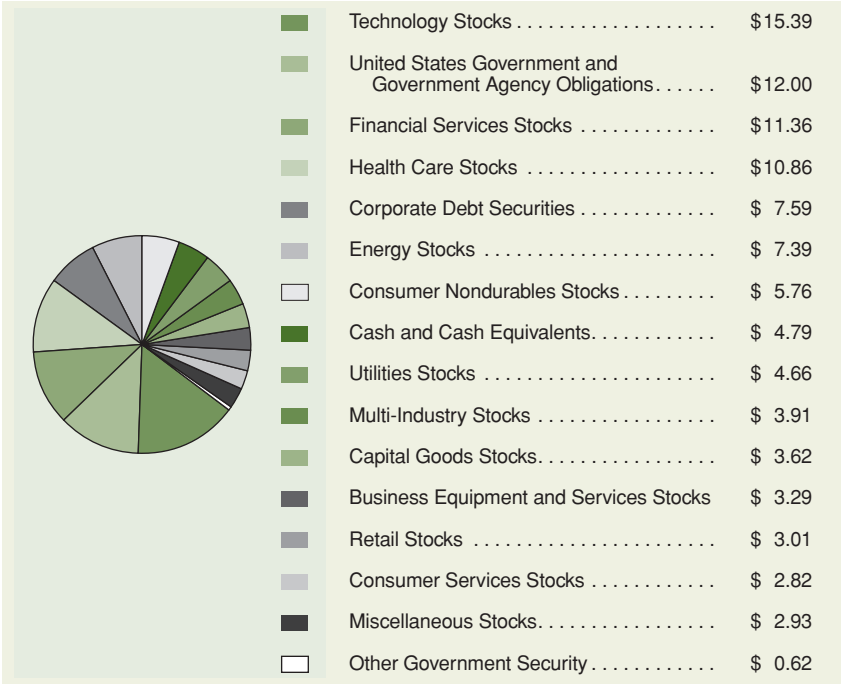
On September 30, 2005, Ivy Balanced Fund had net assets totaling \$97,336,757 invested in a diversified portfolio of:

75.00%	Common Stocks
12.00%	United States Government and Government Agency Obligations
7.59%	Corporate Debt Securities
4.79%	Cash and Cash Equivalents
0.62%	Other Government Security

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



# The Investments of Ivy Balanced Fund

September 30, 2005

COMMON STOCKS	Shares	Value
<b>Aircraft – 1.16%</b>		
Boeing Company (The) . . . . .	16,600	<u>\$ 1,127,970</u>
<b>Banks – 3.72%</b>		
Citigroup Inc. . . . .	33,700	1,534,024
Northern Trust Corporation . . . . .	27,800	1,405,429
Wachovia Corporation . . . . .	14,300	680,537
		<u>3,619,990</u>
<b>Beverages – 1.02%</b>		
Brown-Forman Corporation, Class B. . . . .	16,600	<u>988,364</u>
<b>Business Equipment and Services – 1.40%</b>		
Cintas Corporation . . . . .	33,200	<u>1,363,026</u>
<b>Capital Equipment – 1.91%</b>		
Caterpillar Inc. . . . .	13,700	804,875
Ingersoll-Rand Company Limited, Class A . . . . .	27,600	1,055,148
		<u>1,860,023</u>
<b>Chemicals – Specialty – 0.84%</b>		
Air Products and Chemicals, Inc. . . . .	14,900	<u>821,586</u>
<b>Communications Equipment – 1.74%</b>		
Nokia Corporation, Series A, ADR. . . . .	56,200	950,342
Plantronics, Inc. . . . .	24,200	745,602
		<u>1,695,944</u>
<b>Computers – Micro – 1.94%</b>		
Apple Computer, Inc.* . . . . .	17,400	932,901
Dell Inc.* . . . . .	27,883	953,459
		<u>1,886,360</u>
<b>Computers – Peripherals – 7.15%</b>		
Check Point Software Technologies Ltd.* . . . . .	36,600	888,648
EMC Corporation* . . . . .	83,800	1,084,372
Electronic Arts Inc.* . . . . .	12,000	682,740
Microsoft Corporation. . . . .	77,158	1,984,890
Oracle Corporation* . . . . .	92,000	1,140,340
Symantec Corporation* . . . . .	51,900	1,175,275
		<u>6,956,265</u>
<b>Defense – 1.66%</b>		
General Dynamics Corporation . . . . .	13,500	<u>1,613,925</u>

See Notes to Schedule of Investments on page 21.

# The Investments of Ivy Balanced Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Electrical Equipment – 0.94%</b>		
Emerson Electric Co. ....	12,800	\$ 919,040
<b>Electronic Instruments – 1.74%</b>		
Lam Research Corporation* ....	26,600	810,369
Novellus Systems, Inc. ....	35,200	882,992
		<u>1,693,361</u>
<b>Finance Companies – 2.15%</b>		
SLM Corporation ....	39,100	<u>2,097,324</u>
<b>Food and Related – 2.04%</b>		
Campbell Soup Company ....	41,800	1,243,550
Kellogg Company ....	16,000	738,080
		<u>1,981,630</u>
<b>Furniture and Furnishings – 1.06%</b>		
Masco Corporation. ....	33,500	<u>1,027,780</u>
<b>Health Care – Drugs – 4.27%</b>		
Allergan, Inc. ....	13,500	1,236,870
Amgen Inc.* ....	16,900	1,346,085
Gilead Sciences, Inc.* ....	15,500	755,005
Novartis AG, ADR ....	16,100	821,100
		<u>4,159,060</u>
<b>Health Care – General – 3.25%</b>		
Biomet, Inc. ....	27,400	950,917
Boston Scientific Corporation* ....	23,800	556,206
Johnson & Johnson ....	26,200	1,657,936
		<u>3,165,059</u>
<b>Hospital Supply and Management – 3.34%</b>		
Medtronic, Inc. ....	21,800	1,168,916
UnitedHealth Group Incorporated ....	24,300	1,365,660
WellPoint, Inc.* ....	9,400	712,708
		<u>3,247,284</u>
<b>Household – General Products – 1.51%</b>		
Colgate-Palmolive Company ....	27,900	<u>1,472,841</u>
<b>Insurance – Property and Casualty – 3.49%</b>		
Allstate Corporation (The) ....	21,000	1,161,090
Berkshire Hathaway Inc., Class B* ....	400	1,092,400
Chubb Corporation (The) ....	12,800	1,146,240
		<u>3,399,730</u>

See Notes to Schedule of Investments on page 21.



# The Investments of Ivy Balanced Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Motion Pictures – 1.79%</b>		
News Corporation Limited, Class A . . . . .	63,400	\$ 988,406
News Corporation Limited, Class B . . . . .	46,000	759,000
		<u>1,747,406</u>
<b>Multiple Industry – 3.91%</b>		
General Electric Company . . . . .	63,680	2,144,106
Las Vegas Sands, Inc.* . . . . .	22,100	727,311
NRG Energy, Inc.* . . . . .	22,000	937,200
		<u>3,808,617</u>
<b>Non-Residential Construction – 0.77%</b>		
Fluor Corporation . . . . .	11,700	<u>753,246</u>
<b>Petroleum – International – 4.32%</b>		
BP p.l.c., ADR . . . . .	19,000	1,346,150
ChevronTexaco Corporation . . . . .	13,500	873,855
Exxon Mobil Corporation . . . . .	31,200	1,982,448
		<u>4,202,453</u>
<b>Petroleum – Services – 3.07%</b>		
Nabors Industries Ltd.* . . . . .	12,100	869,143
Schlumberger Limited . . . . .	25,100	2,117,938
		<u>2,987,081</u>
<b>Publishing – 1.03%</b>		
Meredith Corporation . . . . .	20,100	<u>1,002,789</u>
<b>Retail – Food Stores – 1.16%</b>		
Walgreen Co. . . . .	26,000	<u>1,129,700</u>
<b>Retail – General Merchandise – 1.85%</b>		
Kohl's Corporation* . . . . .	13,700	687,466
Target Corporation . . . . .	21,500	1,116,495
		<u>1,803,961</u>
<b>Security and Commodity Brokers – 2.00%</b>		
American Express Company . . . . .	17,800	1,022,432
Franklin Resources, Inc. . . . .	11,000	923,560
		<u>1,945,992</u>
<b>Timesharing and Software – 1.89%</b>		
eBay Inc.* . . . . .	23,100	951,605
Paychex, Inc. . . . .	23,900	885,853
		<u>1,837,458</u>
<b>Tobacco – 1.19%</b>		
Altria Group, Inc. . . . .	15,700	<u>1,157,247</u>

See Notes to Schedule of Investments on page 21.

# The Investments of Ivy Balanced Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Trucking and Shipping – 1.03%</b>		
Expeditors International of Washington, Inc. ....	17,600	<u>\$ 999,240</u>
<b>Utilities – Electric – 3.45%</b>		
Dominion Resources, Inc. ....	15,700	1,352,398
Exelon Corporation ....	26,000	1,389,440
PPL Corporation. ....	19,000	614,270
		<u>3,356,108</u>
<b>Utilities – Telephone – 1.21%</b>		
Vodafone Group Plc, ADR ....	45,200	<u>1,173,844</u>
<b>TOTAL COMMON STOCKS – 75.00%</b>		<b>\$73,001,704</b>
(Cost: \$63,828,054)		

CORPORATE DEBT SECURITIES	Principal Amount in Thousands	
<b>Banks – 0.29%</b>		
Wells Fargo Bank, N.A., 7.55%, 6–21–10 ....	\$250	<u>279,521</u>
<b>Beverages – 0.35%</b>		
Diageo Capital plc, 3.5%, 11–19–07 ....	350	<u>342,200</u>
<b>Business Equipment and Services – 0.39%</b>		
PHH Corporation, 7.125%, 3–1–13 ....	350	<u>376,963</u>
<b>Chemicals – Specialty – 0.36%</b>		
Vulcan Materials Company, 6.4%, 2–1–06 ....	350	<u>351,689</u>
<b>Finance Companies – 2.56%</b>		
American International Group, 3.85%, 11–26–07 (A) ....	500	491,013
Banco Hipotecario Nacional: 7.916%, 7–25–09 (A) ....	7	162
8.0%, 3–31–11 (A) ....	383	57,476

See Notes to Schedule of Investments on page 21.

# The Investments of Ivy Balanced Fund

September 30, 2005

<b>CORPORATE DEBT SECURITIES</b> (Continued)	<b>Principal Amount in Thousands</b>	<b>Value</b>
<b>Finance Companies</b> (Continued)		
First Union-Lehman Brothers-Bank of America Commercial Mortgage Trust, 6.56%, 11–18–35 .....	\$ 472	\$ 490,016
General Motors Acceptance Corporation, 6.125%, 8–28–07 .....	300	295,319
Prudential Insurance Company of America, 6.6%, 5–15–08 (A) .....	750	790,133
Unilever Capital Corporation, 5.9%, 11–15–32 .....	350	369,124
		<u><b>2,493,243</b></u>
<b>Food and Related – 0.85%</b>		
Archer-Daniels-Midland Company, 7.0%, 2–1–31 .....	700	<u><b>828,504</b></u>
<b>Insurance – Life – 0.50%</b>		
StanCorp Financial Group, Inc., 6.875%, 10–1–12 .....	450	<u><b>485,477</b></u>
<b>Multiple Industry – 1.46%</b>		
Cargill, Inc., 6.375%, 6–1–12 (A) .....	400	430,856
General Electric Capital Corporation, 2.85%, 1–30–06 .....	1,000	995,959
		<u><b>1,426,815</b></u>
<b>Real Estate Investment Trust – 0.83%</b>		
Vornado Realty L.P., 5.625%, 6–15–07 .....	800	<u><b>806,669</b></u>
<b>TOTAL CORPORATE DEBT SECURITIES – 7.59%</b>		<u><b>\$ 7,391,081</b></u>
(Cost: \$7,286,197)		
<b>OTHER GOVERNMENT SECURITY – 0.62%</b>		
<b>Canada</b>		
Hydro-Quebec, 8.0%, 2–1–13 .....	500	<u><b>\$ 600,214</b></u>
(Cost: \$584,487)		

See Notes to Schedule of Investments on page 21.

# The Investments of Ivy Balanced Fund

September 30, 2005

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS	Principal Amount in Thousands	Value
<b>Mortgage-Backed Obligations – 6.72%</b>		
Federal National Mortgage Association Fixed Rate		
Pass-Through Certificates:		
6.23%, 1–1–08 .....	\$ 427	\$ 436,037
6.0%, 9–1–17 .....	537	554,223
5.0%, 1–1–18 .....	596	594,930
5.5%, 4–1–18 .....	543	551,648
6.5%, 10–1–28 .....	195	203,458
6.5%, 2–1–29 .....	47	49,472
7.0%, 5–1–31 .....	41	43,296
7.5%, 5–1–31 .....	73	78,347
7.0%, 7–1–31 .....	64	67,984
7.0%, 9–1–31 .....	88	92,632
7.0%, 9–1–31 .....	67	70,385
7.0%, 11–1–31 .....	211	220,642
6.5%, 2–1–32 .....	228	236,399
7.0%, 2–1–32 .....	279	293,325
7.0%, 2–1–32 .....	136	143,032
6.5%, 3–1–32 .....	66	68,560
7.0%, 3–1–32 .....	147	154,535
7.0%, 6–1–32 .....	46	48,016
7.0%, 7–1–32 .....	281	296,425
6.5%, 8–1–32 .....	113	116,783
6.0%, 9–1–32 .....	822	836,440
6.5%, 9–1–32 .....	186	192,768
5.5%, 5–1–33 .....	386	385,679
5.5%, 5–1–33 .....	229	229,495
5.5%, 5–1–33 .....	205	205,446
5.5%, 6–1–33 .....	369	368,809
		<b>6,538,766</b>
<b>Treasury Obligations – 5.28%</b>		
United States Treasury Bond,		
7.5%, 11–15–16 .....	500	632,851
United States Treasury Notes:		
3.0%, 2–15–08 .....	900	876,199
4.0%, 3–15–10 .....	800	792,875
3.875%, 2–15–13 .....	1,250	1,217,823
3.625%, 5–15–13 .....	750	719,356
4.25%, 8–15–13 .....	900	896,906
		<b>5,136,010</b>
<b>TOTAL UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS – 12.00%</b>		<b>\$11,674,776</b>
(Cost: \$11,770,457)		

See Notes to Schedule of Investments on page 21.

# The Investments of Ivy Balanced Fund

September 30, 2005

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
<b>Capital Equipment – 2.05%</b>		
Caterpillar Inc., 3.75%, 10–7–05 .....	\$2,000	<u>\$ 1,998,750</u>
<b>Publishing – 3.23%</b>		
Tribune Co., 3.91%, 10–3–05 .....	3,143	<u>3,142,317</u>
<b>TOTAL SHORT-TERM SECURITIES – 5.28%</b>		<u>\$ 5,141,067</u>
(Cost: \$5,141,067)		
<b>TOTAL INVESTMENT SECURITIES – 100.49%</b>		<u>\$97,808,842</u>
(Cost: \$88,610,262)		
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.49%)</b>		<u>(472,085)</u>
<b>NET ASSETS – 100.00%</b>		<u>\$97,336,757</u>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

(A) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of these securities amounted to \$1,769,640 or 1.82% of net assets.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY BALANCED FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$88,610) (Notes 1 and 3) . . . . .	\$97,809
Cash . . . . .	174
Receivables:	
Investment securities sold . . . . .	738
Dividends and interest . . . . .	258
Fund shares sold . . . . .	39
Prepaid and other assets . . . . .	19
Total assets . . . . .	<u>99,037</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	1,387
Payable to Fund shareholders . . . . .	185
Accrued management fee (Note 2) . . . . .	56
Accrued shareholder servicing (Note 2) . . . . .	25
Accrued service fee (Note 2) . . . . .	20
Accrued accounting services fee (Note 2) . . . . .	4
Accrued distribution fee (Note 2) . . . . .	2
Other . . . . .	21
Total liabilities . . . . .	<u>1,700</u>
Total net assets . . . . .	<u>\$97,337</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$92,201
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income . . . . .	72
Accumulated undistributed net realized loss	
on investment transactions . . . . .	(4,135)
Net unrealized appreciation in value of investments . . . . .	9,199
Net assets applicable to outstanding units of capital . . . . .	<u>\$97,337</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$14.45
Class B . . . . .	\$14.41
Class C . . . . .	\$14.42
Class Y . . . . .	\$14.45
Capital shares outstanding:	
Class A . . . . .	3,866
Class B . . . . .	125
Class C . . . . .	92
Class Y . . . . .	2,655

See Notes to Financial Statements.

# Statement of Operations

## IVY BALANCED FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Interest and amortization . . . . .	\$ 604
Dividends (net of foreign withholding taxes of \$—*) . . . . .	532
Total income . . . . .	<u>1,136</u>
Expenses (Note 2):	
Investment management fee . . . . .	347
Service fee:	
Class A . . . . .	67
Class B . . . . .	2
Class C . . . . .	1
Class Y . . . . .	52
Shareholder servicing:	
Class A . . . . .	82
Class B . . . . .	5
Class C . . . . .	2
Class Y . . . . .	31
Accounting services fee . . . . .	24
Audit fees . . . . .	14
Distribution fee:	
Class A . . . . .	2
Class B . . . . .	6
Class C . . . . .	4
Custodian fees . . . . .	6
Other . . . . .	45
Total expenses . . . . .	<u>690</u>
Net investment income . . . . .	<u>446</u>

### REALIZED AND UNREALIZED GAIN

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on investments . . . . .	2,647
Unrealized appreciation in value of investments during the period . . . . .	461
Net gain on investments . . . . .	<u>3,108</u>
Net increase in net assets resulting from operations . . . . .	<u>\$3,554</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY BALANCED FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>DECREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 446	\$ 1,125
Realized net gain on investments .....	2,647	3,533
Unrealized appreciation .....	461	1,228
Net increase in net assets resulting from operations .....	3,554	5,886
Distributions to shareholders from (Note 1F): <sup>(1)</sup>		
Net investment income:		
Class A .....	(223)	(522)
Class B .....	(—)	(—)*
Class C .....	(—)	(1)
Class Y .....	(196)	(585)
Realized gains on investment transactions:		
Class A .....	(—)	(—)
Class B .....	(—)	(—)
Class C .....	(—)	(—)
Class Y .....	(—)	(—)
	(419)	(1,108)
Capital share transactions (Note 5) .....	(6,212)	(9,235)
Total decrease .....	(3,077)	(4,457)
<b>NET ASSETS</b>		
Beginning of period .....	100,414	104,871
End of period .....	\$97,337	\$100,414
Undistributed net investment income .....	\$ 72	\$ 45

\*Not shown due to rounding.

(1) See "Financial Highlights" on pages 25 - 28.

See Notes to Financial Statements.



# Financial Highlights

## IVY BALANCED FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended September 30,			
				2003	2002	2001	2000
Net asset value, beginning of period . . . . .	\$14.00	\$13.35	\$12.18	\$10.54	\$11.45	\$19.73	\$17.88
Income (loss) from investment operations:							
Net investment income . . . .	0.06	0.14	0.05	0.16	0.23	0.22	0.31
Net realized and unrealized gain (loss) on investments . . . . .	0.45	0.65	1.16	1.64	(0.89)	(6.08)	2.55
Total from investment operations . . . .	0.51	0.79	1.21	1.80	(0.66)	(5.86)	2.86
Less distributions from:							
Net investment income . . . .	(0.06)	(0.14)	(0.04)	(0.16)	(0.25)	(0.20)	(0.30)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(2.22)	(0.71)
Total distributions . . . . .	(0.06)	(0.14)	(0.04)	(0.16)	(0.25)	(2.42)	(1.01)
Net asset value, end of period . .	\$14.45	\$14.00	\$13.35	\$12.18	\$10.54	\$11.45	\$19.73
Total return <sup>(1)</sup> . . . . .	3.63%	5.90%	10.06%	17.17% <sup>(2)</sup>	-5.91%	-32.35%	16.22%
Net assets, end of period (in millions) . . . . .	\$56	\$54	\$52	\$38	\$37	\$45	\$78
Ratio of expenses to average net assets including voluntary expense waiver . .	1.43% <sup>(3)</sup>	1.53%	1.52% <sup>(3)(4)</sup>	1.29%	1.22%	1.12%	1.11%
Ratio of net investment income to average net assets including voluntary expense waiver . . . . .	0.86% <sup>(3)</sup>	1.02%	0.86% <sup>(3)(4)</sup>	1.41%	1.84%	1.57%	1.58%
Ratio of expenses to average net assets excluding voluntary expense waiver . .	NA	NA	1.57% <sup>(3)(4)</sup>	1.62%	1.52%	1.40%	1.20%
Ratio of net investment income to average net assets excluding voluntary expense waiver . . . . .	NA	NA	0.81% <sup>(3)(4)</sup>	1.08%	1.54%	1.29%	1.49%
Portfolio turnover rate . . . . .	27%	37%	29%	110%	129%	158%	132%

(1) Total return calculated without taking into account the sales load deducted on an initial purchase.

(2) Advantus Capital reimbursed the Fund for losses related to certain investment trades. With reimbursed losses, the total return for Class A, for the year ended September 30, 2003, would have been 17.26%.

(3) Annualized.

(4) In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown above reflect a blended rate that includes the effect of income and expenses for those Class B and Class C shares from October 1, 2003 up to the time of the merger. Actual expenses that applied to Class A shareholders were lower than shown above.

See Notes to Financial Statements.

# Financial Highlights

## IVY BALANCED FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$13.98	\$13.33	\$12.96
Income (loss) from investment operations:			
Net investment income (loss) . . . . .	(0.01)	0.01	0.01
Net realized and unrealized gain on investments . . . . .	0.44	0.64	0.39
Total from investment operations . . . . .	0.43	0.65	0.40
Less distributions from:			
Net investment income . . . . .	(0.00)	(0.00)*	(0.03)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.03)
Net asset value, end of period . . . . .	\$14.41	\$13.98	\$13.33
Total return . . . . .	3.08%	4.90%	3.05%
Net assets, end of period (in thousands) . . . . .	\$1,802	\$1,503	\$338
Ratio of expenses to average net assets . . . . .	2.43% <sup>(2)</sup>	2.52%	2.76% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets . . . . .	-0.13% <sup>(2)</sup>	0.06%	-0.42% <sup>(2)</sup>
Portfolio turnover rate . . . . .	27%	37%	29% <sup>(3)</sup>

\*Not shown due to rounding.

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the six months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY BALANCED FUND

*Class C Shares*

*For a Share of Capital Stock Outstanding Throughout Each Period:*

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$13.98	\$13.34	\$12.96
Income (loss) from investment operations:			
Net investment income (loss) . . . . .	(0.00)	0.03	0.02
Net realized and unrealized gain on investments . . . . .	0.44	0.63	0.39
Total from investment operations . . . . .	0.44	0.66	0.41
Less distributions from:			
Net investment income . . . . .	(0.00)	(0.02)	(0.03)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.02)	(0.03)
Net asset value, end of period . . . . .	\$14.42	\$13.98	\$13.34
Total return . . . . .	3.15%	4.98%	3.13%
Net assets, end of period (in thousands) . . . . .	\$1,321	\$898	\$301
Ratio of expenses to average net assets . . . . .	2.34% <sup>(2)</sup>	2.38%	2.43% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets . . . . .	-0.04% <sup>(2)</sup>	0.19%	-0.12% <sup>(2)</sup>
Portfolio turnover rate . . . . .	27%	37%	29% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the six months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY BALANCED FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$14.00	\$13.35	\$12.96
Income from investment operations:			
Net investment income . . . . .	0.07	0.17	0.04
Net realized and unrealized gain on investments . . . . .	0.45	0.65	0.40
Total from investment operations . . . . .	0.52	0.82	0.44
Less distributions from:			
Net investment income . . . . .	(0.07)	(0.17)	(0.05)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.07)	(0.17)	(0.05)
Net asset value, end of period . . . . .	\$14.45	\$14.00	\$13.35
Total return . . . . .	3.72%	6.16%	3.43%
Net assets, end of period (in millions) . . . . .	\$38	\$44	\$53
Ratio of expenses to average net assets . . . . .	1.27% <sup>(2)</sup>	1.30%	1.36% <sup>(2)</sup>
Ratio of net investment income to average net assets . . . . .	1.03% <sup>(2)</sup>	1.25%	0.97% <sup>(2)</sup>
Portfolio turnover rate . . . . .	27%	37%	29% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the six months ended March 31, 2004.

See Notes to Financial Statements.

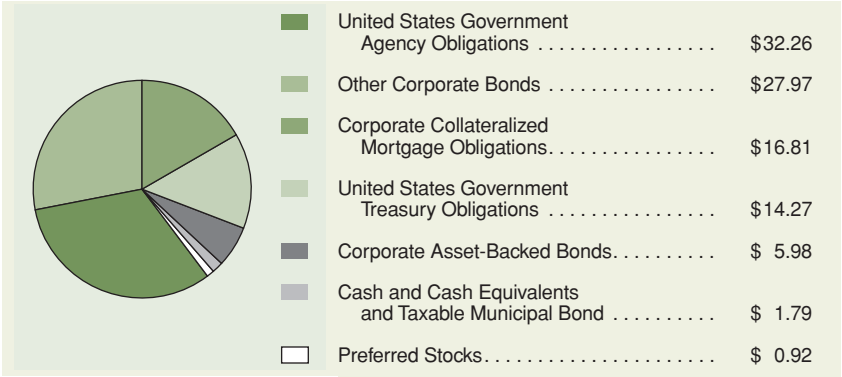
# SHAREHOLDER SUMMARY OF IVY BOND FUND

## Portfolio Highlights

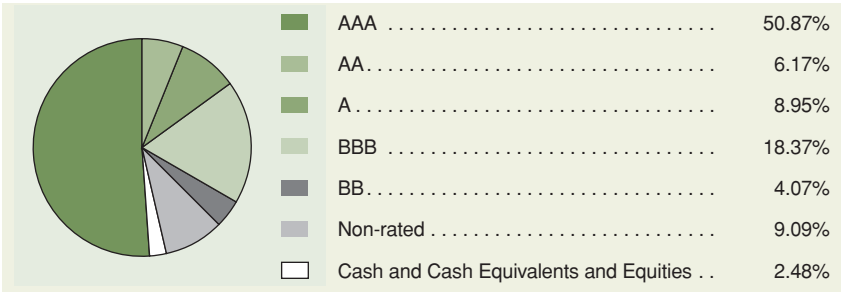
On September 30, 2005, Ivy Bond Fund had net assets totaling \$56,352,477 invested in a diversified portfolio of:

97.52%	Bonds
1.56%	Cash and Cash Equivalents
0.92%	Preferred Stocks

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



On September 30, 2005, the breakdown of bonds (by ratings) held by the Fund was as follows:



# The Investments of Ivy Bond Fund

September 30, 2005

PREFERRED STOCKS	Shares	Value
<b>Real Estate Investment Trust</b>		
PS Business Parks, Inc., 7.0% Cumulative . . . . .	10,500	\$ 260,925
Public Storage, Inc., 6.25% Cumulative . . . . .	10,500	256,200
<b>TOTAL PREFERRED STOCKS – 0.92%</b>		<b>\$ 517,125</b>
(Cost: \$520,050)		

CORPORATE DEBT SECURITIES	Principal Amount in Thousands	
<b>Banks – 0.18%</b>		
Wachovia Bank, N.A., 4.8%, 11–1–14 . . . . .	\$100	<u>98,188</u>
<b>Broadcasting – 0.59%</b>		
Cox Communications, Inc., 7.75%, 11–1–10 . . . . .	300	<u>331,970</u>
<b>Business Equipment and Services – 2.65%</b>		
HSBC Finance Corporation, 4.625%, 9–15–10 . . . . .	225	222,116
International Lease Finance Corporation: 4.875%, 9–1–10 . . . . .	500	497,553
5.875%, 5–1–13 . . . . .	250	260,519
R.R. Donnelley & Sons Company, 4.95%, 5–15–10 (A) . . . . .	375	373,152
Willis North America Inc., 5.125%, 7–15–10 . . . . .	140	139,897
		<u>1,493,237</u>
<b>Chemicals – Specialty – 0.46%</b>		
National Collegiate Trust 1997-S2 (The), 7.24%, 9–20–14 . . . . .	267	<u>261,180</u>
<b>Computers – Peripherals – 0.49%</b>		
Computer Associates International, Inc., 5.625%, 12–1–14 (A) . . . . .	275	<u>272,942</u>

See Notes to Schedule of Investments on page 39.

# The Investments of Ivy Bond Fund

September 30, 2005

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies – Asset Backed – 5.98%</b>		
ABFS Mortgage Loan Trust 2002-4, 7.423%, 12-15-33 .....	\$ 120	\$ 121,584
Associates Manufactured Housing Contract Pass-Through Certificates:		
6.9%, 6-15-27 .....	95	95,903
7.725%, 6-15-28 .....	200	207,849
Banc of America Commercial Mortgage Inc., Commercial Mortgage Pass-Through Certificates, Series 2002-2,		
6.2%, 7-11-43 (A) .....	275	279,954
Bank of America Mortgage Securities, Inc., 5.75%, 8-25-34 .....	121	121,097
BlackRock Capital Finance, 7.75%, 9-25-26 (A) .....	168	170,864
First Union National Bank-Chase Manhattan Bank Commercial Mortgage Trust Commercial Mortgage Pass-through Certificates,		
7.062%, 6-15-31 .....	169	179,940
Fund American Companies, Inc., 5.875%, 5-15-13 .....	275	275,048
GS Mortgage Securities Corporation II, 7.08314%, 7-13-30 .....	500	518,449
GS Mortgage Securities Corporation II, Commercial Mortgage Pass-Through Certificates, Series 2001-LI B, 6.733%, 2-14-16 (A) .....	225	238,732
Green Tree Financial Corporation:		
6.4%, 10-15-18 .....	110	111,022
7.35%, 5-15-27 .....	58	60,716
Metropolitan Asset Funding, Inc., 7.525%, 4-20-27 (A) .....	235	234,035
Origen Manufactured Housing Contract Trust 2004-A, 5.7%, 1-15-35 .....	100	100,941
Origen Manufactured Housing Contract Trust 2004-B, 5.73%, 11-15-35 .....	50	49,682
Origen Manufactured Housing Contract Trust 2005-A, 5.86%, 6-15-36 .....	120	118,624
Paine Webber Mortgage Acceptance Corporation, 7.655%, 1-2-12 (A) .....	250	258,603
St. George Funding Company LLC, 8.485%, 12-29-49 (A) .....	200	219,129
Sequoia Mortgage Funding Company, 6.38%, 8-28-31 (A) .....	8	8,452
		<b>3,370,624</b>

See Notes to Schedule of Investments on page 39.

# The Investments of Ivy Bond Fund

September 30, 2005

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies – Collateralized Mortgage Obligations – 16.81%</b>		
277 Park Avenue Finance Corporation, 7.58%, 5–12–12 (A) .....	\$ 171	\$ 176,684
Asset Securitization Corporation: 1.6584%, 10–13–26 (Interest Only) (A) .....	2,150	76,167
7.35707%, 11–13–29 .....	200	207,745
Banco Hipotecario Nacional, 7.916%, 7–25–09 (A) .....	7	184
Bear Stearns Commercial Mortgage Securities Inc.: 5.426%, 5–14–16 (A) .....	200	202,695
6.0%, 7–15–31 (A) .....	100	102,881
5.468%, 6–11–41 .....	1,500	1,545,771
Charlie Mac Trust 2004–2, 5.0%, 10–25–34 .....	239	232,448
Chase Mortgage Finance Trust, Series 2003-S11, 5.5%, 10–25–33 .....	144	142,262
Citibank Credit Card Issuance Trust, Class 2005-C1, 5.5%, 3–24–17 .....	200	203,517
Credit Suisse First Boston Mortgage Securities Corp., 6.0%, 11–25–18 .....	79	79,896
Global Mortgage Securitization 2005-A Ltd. and Global Mortgage Securitization 2005-A LLC, 5.25%, 4–25–32 .....	215	208,803
Global Mortgage Securitization Ltd. and Global Mortgage Securitization, LLC: 5.25%, 11–25–32 (A) .....	334	327,228
5.25%, 11–25–32 (A) .....	287	281,721
Hilton Hotel Pool Trust: 4.21625%, 10–3–15 (A) .....	790	794,535
7.653%, 10–3–15 (A) .....	295	316,029
Home Equity Loan Trust 2003-HS2, 5.09%, 7–25–33 .....	200	198,144
J.P. Morgan Mortgage Trust 2005-S2, 5.66485%, 9–25–35 .....	529	528,408
LB-UBS Commercial Mortgage Trust 2005-C1, 4.742%, 2–15–30 .....	250	245,249
MASTR Asset Securitization Trust 2003–10, 5.5%, 11–25–33 .....	214	212,521

See Notes to Schedule of Investments on page 39.



# The Investments of Ivy Bond Fund

September 30, 2005

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies – Collateralized Mortgage Obligations (Continued)</b>		
MMCA Auto Owner Trust 2002–3, 4.6%, 8–17–09 .....	\$ 500	\$ 502,032
MMCA Auto Owner Trust 2002–4, Class C Asset Backed Notes, 4.56%, 11–16–09 .....	120	119,214
MMCA Automobile Trust 2002–1, 5.37%, 1–15–10 .....	268	268,256
Mellon Residential Funding, 6.75%, 6–26–28 .....	101	100,312
Meristar Commerical Mortgage Trust 1999-C1, 8.29%, 3–3–16 (A) .....	200	226,443
Multi Security Asset Trust LP, Commercial Mortgage- Backed Securities Pass-Through Certificates: Series 2005-RR4:		
1.0668%, 11–28–35 (Interest Only) (A) .....	6,523	230,163
5.88%, 11–28–35 (A) .....	155	149,142
5.88%, 11–28–35 (A) .....	105	103,689
Nomura Asset Securities Corporation, Commercial Mortgage Pass-Through Certificates, Series 1998-D6, 6.0%, 3–15–30 (A) .....	300	312,656
RAMP Series 2003-RS11 Trust, 6.092%, 12–25–33 .....	250	251,307
RAMP Series 2003-RS7 Trust, 5.92%, 8–25–33 .....	200	202,011
RAMP Series 2003-RS8 Trust, 5.683%, 9–25–33 .....	200	201,963
Structured Asset Securities Corporation, 5.63%, 5–25–34 .....	250	249,183
Vanderbilt Mortgage and Finance, Inc.:		
8.75%, 1–7–16 .....	317	324,711
4.73938%, 3–7–28 .....	147	146,408
		<b>9,470,378</b>

See Notes to Schedule of Investments on page 39.

# The Investments of Ivy Bond Fund

September 30, 2005

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies – Miscellaneous – 7.82%</b>		
Block Financial Corporation, 5.125%, 10–30–14 .....	\$ 80	\$ 77,628
Caithness Coso Funding Corp., 5.489%, 6–15–19 (A) .....	265	265,133
Capital One Financial Corporation, 5.5%, 6–1–15 .....	450	452,639
Centex Home Equity Loan Trust 2005-C, 5.048%, 6–25–35 .....	370	363,636
Colonial Realty Limited Partnership, 5.5%, 10–1–15 .....	370	363,591
CountryPlace Manufactured Housing Contract Trust 2005–1, 5.2%, 12–15–35 (A) .....	300	291,565
ERAC USA Finance Company, 5.6%, 5–1–15 (A) .....	510	515,279
FBG Finance Limited, 5.875%, 6–15–35 (A) .....	240	235,220
FFCA Secured Lending Corporation, 6.73%, 10–18–25 (A) .....	137	138,322
Ford Motor Credit Company, 4.74%, 11–16–06 .....	350	348,761
General Motors Acceptance Corporation, 4.50875%, 1–16–07 .....	550	540,542
JPMorgan Chase Capital XV, 5.875%, 3–15–35 .....	340	332,811
RALI Series 2003-QS10 Trust, 5.75%, 5–25–33 .....	251	252,523
Selkirk Cogen Funding Corporation, 8.65%, 12–26–07 .....	221	229,682
		<b>4,407,332</b>
<b>Health Care – Drugs – 0.48%</b>		
AmerisourceBergen Corporation: 5.625%, 9–15–12 (A) .....	150	147,750
5.875%, 9–15–15 (A) .....	125	123,438
		<b>271,188</b>
<b>Hospital Supply and Management – 0.37%</b>		
WellPoint, Inc., 5.95%, 12–15–34 .....	200	208,512

See Notes to Schedule of Investments on page 39.

# The Investments of Ivy Bond Fund

September 30, 2005

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Insurance – Life – 0.86%</b>		
StanCorp Financial Group, Inc., 6.875%, 10–1–12 .....	\$ 450	<u>\$ 485,477</u>
<b>Insurance – Property and Casualty – 3.08%</b>		
Allstate Life Global Funding, 3.5%, 7–30–07 .....	175	171,331
American General Finance Corporation, 4.875%, 5–15–10 .....	520	518,897
Assurant, Inc., 6.75%, 2–15–34 .....	200	215,143
Berkshire Hathaway Finance Corporation, 4.75%, 5–15–12 (A) .....	315	311,449
Principal Life Global: 6.25%, 2–15–12 (A) .....	150	160,984
5.25%, 1–15–13 (A) .....	350	356,866
		<u>1,734,670</u>
<b>Multiple Industry – 0.87%</b>		
Household Finance Corporation, 4.125%, 11–16–09 .....	250	243,464
Pennsylvania Electric Company, 5.125%, 4–1–14 .....	250	248,251
		<u>491,715</u>
<b>Petroleum – Canada – 0.44%</b>		
Canadian Natural Resources Limited, 5.85%, 2–1–35 .....	250	<u>248,277</u>
<b>Petroleum – Domestic – 0.78%</b>		
Valero Logistics Operations, L.P., 6.05%, 3–15–13 .....	425	<u>441,661</u>
<b>Petroleum – International – 0.28%</b>		
Husky Energy, Inc., 6.25%, 6–15–12 .....	150	<u>159,160</u>
<b>Petroleum – Services – 0.71%</b>		
Energy Transfer Partners, L.P., 5.95%, 2–1–15 .....	400	<u>397,984</u>

See Notes to Schedule of Investments on page 39.

# The Investments of Ivy Bond Fund

September 30, 2005

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Railroad – 0.89%</b>		
Norfolk Southern Corporation, 5.59%, 5–17–25 .....	\$200	\$ 199,925
Union Pacific Corporation, 5.214%, 9–30–14 (A) .....	300	302,223
		<u>502,148</u>
<b>Real Estate Investment Trust – 3.09%</b>		
Arden Realty Limited Partnership, 5.25%, 3–1–15 .....	300	294,158
Healthcare Realty Trust Incorporated, 5.125%, 4–1–14 .....	325	312,874
Nationwide Health Properties, Inc., 6.0%, 5–20–15 .....	265	265,239
Simon Property Group, L.P., 5.1%, 6–15–15 .....	475	465,590
Vornado Realty L.P., 5.625%, 6–15–07 .....	400	403,334
		<u>1,741,195</u>
<b>Security and Commodity Brokers – 2.67%</b>		
Credit Suisse First Boston (USA), Inc., 5.125%, 8–15–15 .....	200	199,283
Goldman Sachs Group, Inc. (The), 4.5%, 6–15–10 .....	525	516,642
Morgan Stanley Dean Witter & Co., 6.75%, 4–15–11 .....	500	543,920
Nuveen Investments, Inc., 5.5%, 9–15–15 .....	250	246,978
		<u>1,506,823</u>
<b>Textile – 0.36%</b>		
Mohawk Industries, Inc., 6.5%, 4–15–07 .....	200	204,977
<b>Utilities – Electric – 0.90%</b>		
Oncor Electric Delivery Company, 7.0%, 9–1–22 .....	450	504,069
<b>TOTAL CORPORATE DEBT SECURITIES – 50.76%</b>		<b>\$28,603,707</b>
(Cost: \$28,864,000)		

See Notes to Schedule of Investments on page 39.

# The Investments of Ivy Bond Fund

September 30, 2005

MUNICIPAL OBLIGATION – TAXABLE – 0.23%	Principal Amount in Thousands	Value
<b>Minnesota</b>		
City of Eden Prairie, Minnesota, Taxable Multifamily Housing Revenue Refunding Bonds (GNMA Collateralized Mortgage Loan – Parkway Apartments Project), Series 2000B, 7.35%, 2–20–09 .....		
(Cost: \$125,000)	\$ 125	<u>\$ 129,165</u>
<b>UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS</b>		
<b>Agency Obligations – 4.07%</b>		
Federal Home Loan Bank, 3.25%, 8–11–06 .....		
Federal National Mortgage Association:	1,225	1,213,890
4.25%, 5–15–09 .....	500	495,974
5.125%, 1–2–14 .....	575	583,836
		<u>2,293,700</u>
<b>Mortgage-Backed Obligations – 28.19%</b>		
Federal Home Loan Mortgage Corporation Fixed Rate		
Participation Certificates:		
3.5%, 2–15–30 .....	125	118,299
6.5%, 9–1–32 .....	283	293,778
5.5%, 5–1–34 .....	180	181,012
5.5%, 5–1–34 .....	241	241,578
5.5%, 6–1–34 .....	1,922	1,923,177
5.0%, 9–1–34 .....	46	44,820
5.5%, 9–1–34 .....	196	196,170
5.5%, 10–1–34 .....	458	459,051
5.5%, 7–1–35 .....	294	294,630
5.5%, 10–1–35 .....	380	380,000
Federal National Mortgage Association Fixed Rate		
Pass-Through Certificates:		
6.23%, 1–1–08 .....	142	145,346
6.0%, 9–1–17 .....	140	144,098
5.5%, 3–1–18 .....	151	153,288
5.0%, 6–1–18 .....	553	551,632
5.0%, 7–1–18 .....	191	191,284
4.5%, 9–1–20 .....	1,560	1,528,144
7.5%, 5–1–31 .....	169	180,736
7.0%, 9–1–31 .....	62	64,754
7.0%, 11–1–31 .....	117	122,579
6.5%, 12–1–31 .....	71	73,661
7.0%, 2–1–32 .....	127	133,330
7.0%, 3–1–32 .....	125	131,272

See Notes to Schedule of Investments on page 39.

# The Investments of Ivy Bond Fund

September 30, 2005

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS (Continued)		Principal Amount in Thousands	Value
<b>Mortgage-Backed Obligations (Continued)</b>			
Federal National Mortgage Association Fixed Rate			
Pass-Through Certificates (Continued):			
6.5%, 4-1-32 .....	\$ 33	\$	33,912
6.5%, 5-1-32 .....	34		35,537
6.5%, 7-1-32 .....	94		98,071
6.5%, 8-1-32 .....	82		85,113
6.5%, 8-1-32 .....	71		73,821
6.5%, 9-1-32 .....	117		121,292
6.5%, 9-1-32 .....	51		53,154
6.0%, 10-1-32 .....	165		168,534
6.5%, 10-1-32 .....	165		171,045
6%, 11-1-32 .....	174		178,289
6.0%, 3-1-33 .....	128		130,599
5.5%, 4-1-33 .....	203		203,630
6.0%, 4-1-33 .....	295		300,004
5.5%, 5-1-33 .....	154		153,966
5.5%, 3-1-34 .....	217		217,755
5.5%, 3-1-34 .....	83		83,234
5.5%, 4-1-34 .....	213		214,013
5.5%, 4-1-34 .....	69		69,096
5.0%, 5-1-34 .....	83		81,185
5.5%, 5-1-34 .....	192		192,336
5.5%, 10-1-34 .....	330		329,794
5.5%, 11-1-34 .....	1,630		1,629,800
6.0%, 11-1-34 .....	1,462		1,487,284
5.5%, 2-1-35 .....	239		239,271
5.0%, 5-1-35 .....	59		57,407
5.0%, 7-1-35 .....	229		224,671
5.0%, 7-1-35 .....	110		107,430
5.0%, 7-1-35 .....	99		96,608
Government National Mortgage Association Agency			
REMIC/CMO (Interest Only),			
0.979%, 6-17-45 .....	5,233		318,744
Government National Mortgage Association Fixed			
Rate Pass-Through Certificates,			
5.0%, 11-15-33 .....	1,187		1,176,049
			<b>15,884,283</b>
<b>Treasury Inflation Protected Obligation – 2.10%</b>			
United States Treasury Notes,			
1.875%, 7-15-13 (B) .....	1,100		<b>1,186,016</b>

See Notes to Schedule of Investments on page 39.

# The Investments of Ivy Bond Fund

September 30, 2005

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS (Continued)		Principal Amount in Thousands	Value
<b>Treasury Obligations – 12.17%</b>			
United States Treasury Bond,			
5.375%, 2–15–31 .....	\$ 570	\$	638,578
United States Treasury Notes:			
1.875%, 1–31–06 .....	575		571,451
2.5%, 10–31–06 .....	550		540,611
2.25%, 2–15–07 .....	100		97,465
3.625%, 6–30–07 .....	500		495,234
3.375%, 10–15–09 .....	4,390		4,254,358
4.25%, 11–15–14 .....	260		258,142
			<b>6,855,839</b>
<b>TOTAL UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS- 46.53%</b>			<b>\$26,219,838</b>
(Cost: \$26,387,074)			
<b>SHORT-TERM SECURITY – 2.29%</b>			
<b>United States Government Agency Obligation</b>			
Federal Home Loan Mortgage Corporation,			
3.18%, 10–3–05 .....	1,293	\$	<b>1,292,772</b>
(Cost: \$1,292,772)			
<b>TOTAL INVESTMENT SECURITIES – 100.73%</b>			<b>\$56,762,607</b>
(Cost: \$57,188,896)			
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.73%)</b>			<b>(410,130)</b>
<b>NET ASSETS – 100.00%</b>			<b>\$56,352,477</b>

## Notes to Schedule of Investments

Certain acronyms are used within the body of the Fund's holdings. The definitions of these acronyms are as follows: REMIC – Real Estate Mortgage Investment Conduit; CMO – Collateralized Mortgage Obligation.

(A) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of these securities amounted to \$8,204,309 or 14.56% of net assets.

(B) The interest rate for this security is a stated rate, but the interest payments are determined by multiplying the inflation-adjusted principal by one half of the stated rate for each semiannual interest payment date.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY BOND FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$57,189) (Notes 1 and 3) . . . . .	\$56,763
Receivables:	
Dividends and interest . . . . .	472
Investment securities sold . . . . .	172
Fund shares sold . . . . .	114
Prepaid and other assets . . . . .	19
Total assets . . . . .	<u>57,540</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	911
Payable to Fund shareholders . . . . .	135
Due to custodian . . . . .	56
Accrued management fee (Note 2) . . . . .	24
Dividends payable . . . . .	17
Accrued service fee (Note 2) . . . . .	12
Accrued shareholder servicing (Note 2) . . . . .	12
Accrued accounting services fee (Note 2) . . . . .	4
Accrued distribution fee (Note 2) . . . . .	1
Other . . . . .	16
Total liabilities . . . . .	<u>1,188</u>
Total net assets . . . . .	<u>\$56,352</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$56,796
Accumulated undistributed loss:	
Accumulated undistributed net realized loss on investment transactions . . . . .	(18)
Net unrealized depreciation in value of investments . . . . .	(426)
Net assets applicable to outstanding units of capital . . . . .	<u>\$56,352</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$10.52
Class B . . . . .	\$10.52
Class C . . . . .	\$10.52
Class Y . . . . .	\$10.52
Capital shares outstanding:	
Class A . . . . .	5,143
Class B . . . . .	105
Class C . . . . .	105
Class Y . . . . .	3

See Notes to Financial Statements.



# Statement of Operations

## IVY BOND FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Interest and amortization . . . . .	\$1,372
Dividends . . . . .	17
Total income . . . . .	<u>1,389</u>
Expenses (Note 2):	
Investment management fee . . . . .	142
Service fee:	
Class A . . . . .	64
Class B . . . . .	1
Class C . . . . .	1
Class Y . . . . .	—*
Shareholder servicing:	
Class A . . . . .	46
Class B . . . . .	3
Class C . . . . .	2
Class Y . . . . .	—*
Registration fees . . . . .	25
Accounting services fee . . . . .	22
Audit fees . . . . .	12
Custodian fees . . . . .	7
Distribution fee:	
Class A . . . . .	1
Class B . . . . .	4
Class C . . . . .	3
Legal fees . . . . .	—*
Other . . . . .	14
Total expenses . . . . .	<u>347</u>
Net investment income . . . . .	<u>1,042</u>

### REALIZED AND UNREALIZED GAIN (LOSS)

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on investments . . . . .	153
Unrealized depreciation in value of investments during the period . . . . .	(183)
Net loss on investments . . . . .	<u>(30)</u>
Net increase in net assets resulting from operations . . . . .	<u>\$1,012</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY BOND FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 1,042	\$ 1,376
Realized net gain on investments .....	153	89
Unrealized depreciation .....	(183)	(998)
Net increase in net assets resulting from operations .....	1,012	467
Distributions to shareholders from (Note 1F): <sup>(1)</sup>		
Net investment income:		
Class A .....	(1,017)	(1,367)
Class B .....	(13)	(12)
Class C .....	(12)	(7)
Class Y .....	(1)	(1)
Realized gains on investment transactions:		
Class A .....	(—)	(—)
Class B .....	(—)	(—)
Class C .....	(—)	(—)
Class Y .....	(—)	(—)
	(1,043)	(1,387)
Capital share transactions (Note 5) .....	5,660	28,126
Total increase .....	5,629	27,206
<b>NET ASSETS</b>		
Beginning of period .....	50,723	23,517
End of period .....	\$56,352	\$50,723
Undistributed net investment income .....	\$ —	\$ 1

(1) See "Financial Highlights" on pages 43 - 46.

See Notes to Financial Statements.

# Financial Highlights

## IVY BOND FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended September 30,			
				2003	2002	2001	2000
Net asset value, beginning of period . . . . .	\$10.52	\$10.83	\$10.73	\$10.57	\$10.30	\$ 9.60	\$9.71
Income (loss) from investment operations:							
Net investment income . . .	0.20	0.41	0.23	0.45	0.52	0.58	0.58
Net realized and unrealized gain (loss) on investments . . . . .	0.00	(0.30)	0.09	0.15	0.27	0.70	(0.11)
Total from investment operations . . . . .	0.20	0.11	0.32	0.60	0.79	1.28	0.47
Less distributions from:							
Net investment income . . .	(0.20)	(0.42)	(0.22)	(0.44)	(0.52)	(0.58)	(0.58)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.20)	(0.42)	(0.22)	(0.44)	(0.52)	(0.58)	(0.58)
Net asset value, end of period . . . . .	\$10.52	\$10.52	\$10.83	\$10.73	\$10.57	\$10.30	\$9.60
Total return <sup>(1)</sup> . . . . .	1.99%	1.04%	3.03%	5.84%	7.90%	13.68%	5.04%
Net assets, end of period (in millions) . . . . .	\$54	\$49	\$23	\$18	\$17	\$16	\$15
Ratio of expenses to average net assets including reimbursement . . . . .	1.25% <sup>(2)</sup>	1.17%	1.46% <sup>(2)(3)</sup>	1.15%	1.15%	1.15%	1.15%
Ratio of net investment income to average net assets including reimbursement . . . . .	3.89% <sup>(2)</sup>	3.84%	4.53% <sup>(2)(3)</sup>	4.25%	5.07%	5.77%	6.08%
Ratio of expenses to average net assets excluding reimbursement . . . . .	—	1.43%	2.36% <sup>(2)(3)</sup>	2.01%	1.92%	1.99%	1.84%
Ratio of net investment income to average net assets excluding reimbursement . . . . .	—	3.58%	3.64% <sup>(2)(3)</sup>	3.39%	4.30%	4.93%	5.39%
Portfolio turnover rate . . . . .	73%	200%	78%	119%	148%	252%	191%

(1) Total return calculated without taking into account the sales load deducted on an initial purchase.

(2) Annualized.

(3) In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown above reflect a blended rate that includes the effect of income and expenses for those Class B and Class C shares from October 1, 2003 up to the time of merger. Expenses for Class A shares before and after the merger were limited to 1.15% of average net assets.

See Notes to Financial Statements.

# Financial Highlights

## IVY BOND FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$10.52	\$10.83	\$10.64
Income (loss) from investment operations:			
Net investment income . . . . .	0.14	0.28	0.11
Net realized and unrealized gain (loss) on investments. . . . .	0.00	(0.31)	0.19
Total from investment operations . . . . .	0.14	(0.03)	0.30
Less distributions from:			
Net investment income . . . . .	(0.14)	(0.28)	(0.11)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.14)	(0.28)	(0.11)
Net asset value, end of period . . . . .	\$10.52	\$10.52	\$10.83
Total return . . . . .	1.40%	-0.23%	2.77%
Net assets, end of period (in thousands) . . . . .	\$1,106	\$744	\$287
Ratio of expenses to average net assets. . . . .	2.41% <sup>(2)</sup>	2.45%	2.76% <sup>(2)</sup>
Ratio of net investment income to average net assets . . . . .	2.73% <sup>(2)</sup>	2.63%	3.04% <sup>(2)</sup>
Portfolio turnover rate . . . . .	73%	200%	78% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the six months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY BOND FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$10.52	\$10.83	\$10.64
Income (loss) from investment operations:			
Net investment income . . . . .	0.15	0.27	0.11
Net realized and unrealized gain (loss) on investments. . . . .	0.00	(0.31)	0.19
Total from investment operations . . . . .	0.15	(0.04)	0.30
Less distributions from:			
Net investment income . . . . .	(0.15)	(0.27)	(0.11)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.15)	(0.27)	(0.11)
Net asset value, end of period . . . . .	\$10.52	\$10.52	\$10.83
Total return . . . . .	1.43%	-0.40%	2.77%
Net assets, end of period (in thousands) . . . . .	\$1,106	\$547	\$115
Ratio of expenses to average net assets. . . . .	2.33% <sup>(2)</sup>	2.59%	2.61% <sup>(2)</sup>
Ratio of net investment income to average net assets . . . . .	2.80% <sup>(2)</sup>	2.47%	3.09% <sup>(2)</sup>
Portfolio turnover rate . . . . .	73%	200%	78% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the six months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY BOND FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$10.52	\$10.83	\$10.64
Income (loss) from investment operations:			
Net investment income . . . . .	0.20	0.39	0.13
Net realized and unrealized gain (loss) on investments. . . . .	0.00	(0.31)	0.19
Total from investment operations . . . . .	0.20	0.08	0.32
Less distributions from:			
Net investment income . . . . .	(0.20)	(0.39)	(0.13)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.20)	(0.39)	(0.13)
Net asset value, end of period . . . . .	\$10.52	\$10.52	\$10.83
Total return . . . . .	1.93%	0.75%	3.03%
Net assets, end of period (in thousands) . . . . .	\$26	\$34	\$25
Ratio of expenses to average net assets . . . . .	1.37% <sup>(2)</sup>	1.46%	1.54% <sup>(2)</sup>
Ratio of net investment income to average net assets . . . . .	3.79% <sup>(2)</sup>	3.65%	3.99% <sup>(2)</sup>
Portfolio turnover rate . . . . .	73%	200%	78% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the six months ended March 31, 2004.

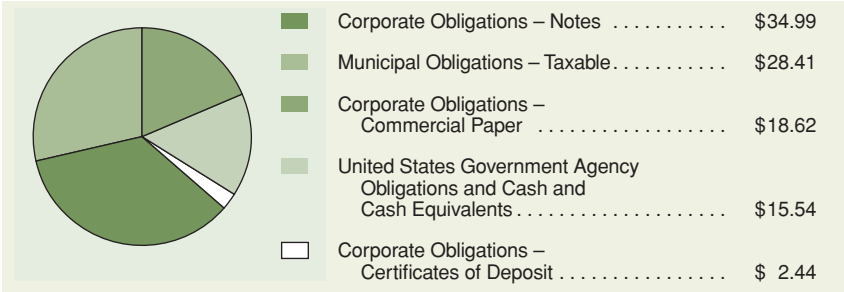
See Notes to Financial Statements.

SHAREHOLDER SUMMARY OF IVY CASH RESERVES FUND

Portfolio Highlights

On September 30, 2005, Ivy Cash Reserves Fund had net assets totaling \$5,120,204.

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



# The Investments of Ivy Cash Reserves Fund

September 30, 2005

CORPORATE OBLIGATIONS	Principal Amount in Thousands	Value
<b>Certificate of Deposit – 2.44%</b>		
<b>Banks</b>		
Citibank, N.A.,		
3.77%, 11–22–05 .....	\$125	<u>\$ 125,000</u>
<b>Commercial Paper</b>		
<b>Finance Companies – 11.80%</b>		
Ciesco, LLC,		
3.6%, 10–7–05 .....	250	249,850
PACCAR Financial Corp.,		
3.49%, 1–19–06 .....	257	254,259
Vehicle Services of America Ltd.		
(Bank of America, N.A.),		
3.72%, 10–13–05 .....	100	99,876
		<u>603,985</u>
<b>Multiple Industry – 4.38%</b>		
General Electric Capital Corporation,		
3.64%, 10–26–05 .....	225	<u>224,431</u>
<b>Security and Commodity Brokers – 2.44%</b>		
UBS Finance Delaware LLC (UBS AG),		
3.3%, 10–3–05 .....	125	<u>124,977</u>
<b>Total Commercial Paper – 18.62%</b>		<u>953,393</u>
<b>Notes</b>		
<b>Banks – 5.05%</b>		
Bank of New York Company Inc. (The),		
2.2%, 5–12–06 .....	160	158,542
Wells Fargo & Company,		
3.75813%, 10–17–05 .....	100	100,000
		<u>258,542</u>
<b>Business Equipment and Services – 3.13%</b>		
Berkeley Hills Country Club, Inc., Incremental		
Taxable Variable Rate Demand Bonds,		
Series 2000 (Wachovia Bank, N.A.),		
3.91%, 10–6–05 .....	160	<u>160,000</u>

See Notes to Schedule of Investments on page 51.



# The Investments of Ivy Cash Reserves Fund

September 30, 2005

<b>CORPORATE OBLIGATIONS</b> (Continued)	<b>Principal Amount in Thousands</b>	<b>Value</b>
<b>Notes</b> (Continued)		
<b>Computers – Main and Mini – 1.95%</b>		
International Business Machines Corporation, 3.6725%, 10–11–05 .....	\$100	<u>\$ 100,000</u>
<b>Finance Companies – 7.32%</b>		
Caterpillar Financial Services Corp., 2.65%, 1–30–06 .....	150	149,522
Park Street Properties I, LLC, Taxable Variable Rate Demand Notes, Series 2004 (University of Wisconsin – Madison Projects), (U.S. Bank, National Association), 3.79%, 10–6–05 .....	125	125,000
Unilever Capital Corporation, 6.875%, 11–1–05 .....	100	100,323
		<u>374,845</u>
<b>Health Care – Drugs – 4.88%</b>		
Lilly (Eli) and Company, 3.66%, 10–3–05 .....	250	<u>250,000</u>
<b>Multiple Industry – 4.88%</b>		
The Salvation Army, Taxable Multi-Modal Revenue Bonds, Series 2005A (The Bank of New York), 3.82%, 10–6–05 .....	250	<u>250,000</u>
<b>Retail – General Merchandise – 4.94%</b>		
Wal-Mart Stores, Inc., 5.586%, 6–1–06 .....	250	<u>252,957</u>
<b>Retail – Specialty Stores – 2.84%</b>		
El Dorado Enterprises of Miami, Inc., Taxable Variable Rate Demand Bonds, Series 1999 (Wachovia Bank, N.A.), 3.91%, 10–6–05 .....	145	<u>145,000</u>
<b>Total Notes – 34.99%</b>		<u>1,791,344</u>
<b>TOTAL CORPORATE OBLIGATIONS – 56.05%</b>		<u>\$2,869,737</u>
(Cost: \$2,869,737)		

See Notes to Schedule of Investments on page 51.

# The Investments of Ivy Cash Reserves Fund

September 30, 2005

<b>MUNICIPAL OBLIGATIONS – TAXABLE</b>	<b>Principal Amount in Thousands</b>	<b>Value</b>
<b>California – 10.74%</b>		
California Pollution Control Financing Authority, Environmental Improvement Revenue Bonds (Air Products and Chemicals, Inc./Wilmington Facility), Taxable Series 1997A, 3.71%, 11–2–05 .....	\$ 250	\$ 250,000
County of Sacramento, Taxable Pension Funding Bonds, Series 1995B (Bayerische Landesbank Girozentrale, New York Branch), 3.85%, 10–5–05 .....	300	300,000
		<u><b>550,000</b></u>
<b>Florida – 2.64%</b>		
University of South Florida Research Foundation, Incorporated, Variable Rate Demand Revenue Bonds (Interdisciplinary Research Building Project), Taxable Series 2004B (Bank of America, N.A.), 3.8%, 10–5–05 .....	135	<u><b>135,000</b></u>
<b>Maryland – 5.66%</b>		
Mayor and City Council of Baltimore (City of Baltimore, Maryland), General Obligation Bonds, Consolidated Public Improvement Refunding Bonds, Series 2003C (Variable Rate Demand/Taxable), (Financial Security Assurance Inc.), 3.84%, 10–6–05 .....	290	<u><b>290,000</b></u>
<b>New York – 3.51%</b>		
The City of New York, General Obligation Bonds, Fiscal 1995 Series B, Taxable Adjustable Rate Bonds (Bayerische Landesbank Girozentrale, New York Branch), 3.71%, 11–7–05 .....	100	100,000
Nassau County Industrial Development Agency, Taxable Variable Rate Demand Revenue Bonds (57 Seaview Realty Associates, LLC 2004 Project), (Wachovia Bank, N.A.), 3.84%, 10–6–05 .....	80	80,000
		<u><b>180,000</b></u>
<b>Texas – 3.91%</b>		
Gulf Coast Waste Disposal Authority, Pollution Control Revenue Bonds (Amoco Oil Company Project), Taxable Series 1995, 3.66%, 10–6–05 .....	200	<u><b>200,000</b></u>

See Notes to Schedule of Investments on page 51.

# The Investments of Ivy Cash Reserves Fund

September 30, 2005

<b>MUNICIPAL OBLIGATIONS – TAXABLE</b> (Continued)	<b>Principal Amount in Thousands</b>	<b>Value</b>
<b>Washington – 1.95%</b>		
Washington State Housing Finance Commission, Taxable Variable Rate Demand Multifamily Revenue Bonds (Columbia Heights Retirement Project), Series 2004 B (Wells Fargo Bank, N.A.), 3.87%, 10–3–05 .....	\$100	<u>\$ 100,000</u>
<b>TOTAL MUNICIPAL OBLIGATIONS – TAXABLE – 28.41%</b>		<b>\$1,455,000</b>
(Cost: \$1,455,000)		
<b>UNITED STATES GOVERNMENT AGENCY OBLIGATIONS</b>		
Federal Home Loan Bank, 3.6809%, 10–13–05 .....	100	100,000
Federal National Mortgage Association, 4.05%, 8–14–06 .....	170	170,000
Overseas Private Investment Corporation: 3.8%, 10–5–05 .....	210	210,000
3.84%, 10–5–05 .....	384	383,721
<b>TOTAL UNITED STATES GOVERNMENT AGENCY OBLIGATIONS – 16.87%</b>		<b>\$ 863,721</b>
(Cost: \$863,721)		
<b>TOTAL INVESTMENT SECURITIES – 101.33%</b>		<b>\$5,188,458</b>
(Cost: \$5,188,458)		
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (1.33%)</b>		<b>(68,254)</b>
<b>NET ASSETS – 100.00%</b>		<b>\$5,120,204</b>

## Notes to Schedule of Investments

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

# Statement of Assets and Liabilities

## IVY CASH RESERVES FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$5,188) (Note 1) . . . . .	\$5,188
Cash . . . . .	40
Receivables:	
Interest . . . . .	23
Fund shares sold . . . . .	2
Prepaid and other assets . . . . .	23
Total assets . . . . .	<u>5,276</u>

### LIABILITIES

Payable to Fund shareholders . . . . .	149
Accrued shareholder servicing (Note 2) . . . . .	4
Accrued management fee (Note 2) . . . . .	2
Dividends payable . . . . .	1
Total liabilities . . . . .	<u>156</u>
Total net assets . . . . .	<u>\$5,120</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$5,120
Net assets applicable to outstanding units of capital . . . . .	<u>\$5,120</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$1.00
Class B . . . . .	\$1.00
Class C . . . . .	\$1.00
Capital shares outstanding:	
Class A . . . . .	3,809
Class B . . . . .	1,238
Class C . . . . .	73

See Notes to Financial Statements.

# Statement of Operations

## IVY CASH RESERVES FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Interest and amortization . . . . .	\$91
Expenses (Note 2):	
Registration fees . . . . .	19
Shareholder servicing:	
Class A . . . . .	13
Class B . . . . .	3
Class C . . . . .	—*
Investment management fee . . . . .	11
Audit fees . . . . .	9
Prospectus printing . . . . .	9
Custodian fees . . . . .	2
Other . . . . .	2
Total . . . . .	68
Less expenses in excess of contractual limit (Note 2) . . . . .	(33)
Total expenses . . . . .	35
Net investment income . . . . .	56
Net increase in net assets resulting from operations . . . . .	\$56

\*Not shown due to rounding.

# Statement of Changes in Net Assets

## IVY CASH RESERVES FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>DECREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 56	\$ 53
Net increase in net assets resulting from operations .....	56	53
Distributions to shareholders from net investment income (Note 1F): <sup>(1)</sup>		
Class A .....	(42)	(39)
Class B .....	(13)	(13)
Class C .....	(1)	(1)
	(56)	(53)
Capital share transactions (Note 5) .....	(715)	(3,087)
Total decrease .....	(715)	(3,087)
<b>NET ASSETS</b>		
Beginning of period .....	5,835	8,922
End of period .....	\$5,120	\$5,835
Undistributed net investment income .....	\$ —	\$ —

(1) See "Financial Highlights" on pages 55 - 57.

# Financial Highlights

## IVY CASH RESERVES FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period . . . .	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Net investment income . . . .	0.01	0.01	0.00*	0.00*	0.01 <sup>(1)</sup>	0.03	0.05
Less dividends declared . .	(0.01)	(0.01)	(0.00)*	(0.00)*	(0.01)	(0.03)	(0.05)
Net asset value, end of period . . . . .	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total return . . . . .	1.01%	0.78%	0.07%	0.33%	0.78%	3.12%	5.37%
Net assets, end of period (in millions) . . . . .	\$4	\$4	\$6	\$6	\$15	\$13	\$20
Ratio of expenses to average net assets including reimbursement . . . . .	1.25% <sup>(2)</sup>	0.94%	0.85% <sup>(2)</sup>	0.85%	0.88%	0.87%	0.85%
Ratio of net investment income to average net assets including reimbursement . . . . .	2.00% <sup>(2)</sup>	0.77%	0.29% <sup>(2)</sup>	0.35%	0.78%	3.12%	5.38%
Ratio of expenses to average net assets excluding reimbursement . . . . .	2.47% <sup>(2)</sup>	2.09%	2.36% <sup>(2)</sup>	1.80%	1.73%	1.59%	1.52%
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	0.78% <sup>(2)</sup>	-0.38%	-1.22% <sup>(2)</sup>	-0.60%	-0.07%	2.40%	4.71%

\*Not shown due to rounding.

(1)Based on average shares outstanding.

(2)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY CASH RESERVES FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period . . . .	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Net investment income . . . .	0.01	0.01	0.00*	0.00*	0.01 <sup>(1)</sup>	0.03	0.05
Less dividends declared . .	(0.01)	(0.01)	(0.00)*	(0.00)*	(0.01)	(0.03)	(0.05)
Net asset value, end of period . . . . .	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total return . . . . .	1.01%	0.78%	0.07%	0.36%	0.85%	3.19%	5.35%
Net assets, end of period (in millions) . . . . .	\$1	\$1	\$3	\$3	\$6	\$7	\$6
Ratio of expenses to average net assets including reimbursement . . . . .	1.25% <sup>(2)</sup>	0.92%	0.85% <sup>(2)</sup>	0.83%	0.80%	0.80%	0.87%
Ratio of net investment income to average net assets including reimbursement . . . . .	2.00% <sup>(2)</sup>	0.72%	0.29% <sup>(2)</sup>	0.38%	0.85%	3.19%	5.36%
Ratio of expenses to average net assets excluding reimbursement . . . . .	2.25% <sup>(2)</sup>	1.84%	2.32% <sup>(2)</sup>	1.77%	1.65%	1.52%	1.54%
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	1.01% <sup>(2)</sup>	-0.20%	-1.18% <sup>(2)</sup>	-0.56%	0.00%	2.47%	4.69%

\*Not shown due to rounding.

(1)Based on average shares outstanding.

(2)Annualized.

See Notes to Financial Statements.



# Financial Highlights

## IVY CASH RESERVES FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period . . .	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Net investment income . . .	0.01	0.01	0.00*	0.00*	0.01 <sup>(1)</sup>	0.03	0.05
Less dividends declared . .	(0.01)	(0.01)	(0.00)*	(0.00)*	(0.01)	(0.03)	(0.05)
Net asset value, end of period . . . . .	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total return . . . . .	1.01%	0.78%	0.07%	0.40%	0.74%	3.10%	5.65%
Net assets, end of period (in thousands) . . . . .	\$73	\$90	\$167	\$184	\$813	\$519	\$1,975
Ratio of expenses to average net assets including reimbursement . . . . .	1.25% <sup>(2)</sup>	0.94%	0.85% <sup>(2)</sup>	0.72%	0.84%	0.88%	0.72%
Ratio of net investment income to average net assets including reimbursement . . . . .	1.98% <sup>(2)</sup>	0.77%	0.29% <sup>(2)</sup>	0.52%	0.82%	3.10%	5.51%
Ratio of expenses to average net assets excluding reimbursement . . . . .	2.85% <sup>(2)</sup>	2.60%	3.91% <sup>(2)</sup>	1.66%	1.69%	1.60%	1.39%
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	0.38% <sup>(2)</sup>	-0.89%	-2.77% <sup>(2)</sup>	-0.42%	-0.03%	2.38%	4.84%

\*Not shown due to rounding.

(1)Based on average shares outstanding.

(2)Annualized.

See Notes to Financial Statements.

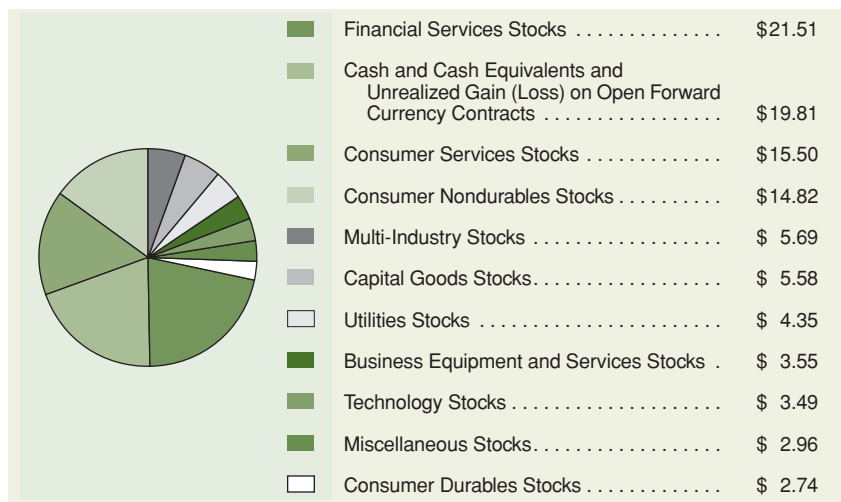
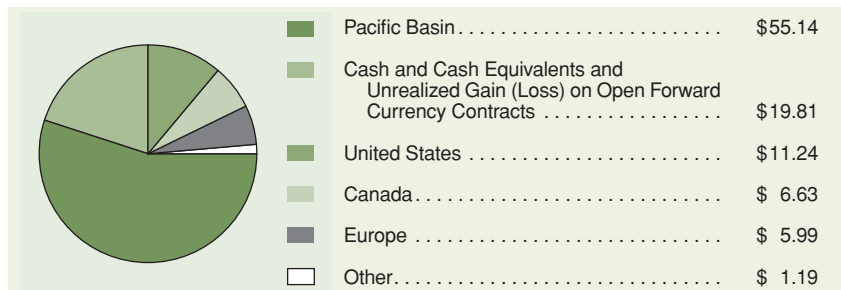
## SHAREHOLDER SUMMARY OF IVY CUNDILL GLOBAL VALUE FUND

### Portfolio Highlights

On September 30, 2005, Ivy Cundill Global Value Fund had net assets totaling \$681,753,795 invested in a diversified portfolio of:

80.19%	Common Stocks
19.81%	Cash and Cash Equivalents and Unrealized Gain (Loss) on Open Forward Currency Contracts

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund was invested by geographic region and by industry, respectively, as follows:



# The Investments of Ivy Cundill Global Value Fund

September 30, 2005

COMMON STOCKS	Shares	Value
<b>Bermuda – 1.19%</b>		
Guoco Group Limited (A) . . . . .	800,000	\$ 8,116,121
<b>Canada – 6.63%</b>		
Fairfax Financial Holdings Limited (A) . . . . .	187,000	32,391,674
Legacy Hotels Real Estate Investment Trust (A) . . . . .	1,371,200	8,255,268
Legacy Hotels Real Estate Investment Trust (A)(B) . . . . .	753,900	4,538,832
		<b>45,185,774</b>
<b>Germany – 2.34%</b>		
Henkel Kommanditgesellschaft auf Aktien (A) . . . . .	86,525	7,344,695
Munchener Ruckversicherungs-Gesellschaft (A) . . . . .	75,184	8,585,261
		<b>15,929,956</b>
<b>Hong Kong – 3.41%</b>		
CITIC Pacific Limited (A) . . . . .	2,000,000	5,594,658
First Pacific Company Limited (A)* . . . . .	51,290,000	17,686,435
		<b>23,281,093</b>
<b>Italy – 3.65%</b>		
Italmobiliare S.p.A., Non-Convertible Savings Shar (A) . . . . .	472,111	<b>24,883,885</b>
<b>Japan – 39.84%</b>		
ALFUL Corporation (A) . . . . .	47,550	3,983,619
Asatsu-DK Inc. (A) . . . . .	776,800	24,224,746
Coca-Cola West Japan Company Limited (A) . . . . .	1,132,500	25,340,704
Kirin Brewery Company, Limited (A) . . . . .	3,000,000	33,035,282
Lion Corporation (A) . . . . .	2,500,000	15,328,371
Mabuchi Motor Co., Ltd. (A) . . . . .	483,000	23,827,688
Nikko Cordial Corporation (A) . . . . .	3,050,000	35,278,597
Nintendo Co., Ltd. (A) . . . . .	160,300	18,696,842
Nippon Television Network Corporation (A) . . . . .	180,000	27,702,066
NIPPONKOA Insurance Company, Limited (A) . . . . .	1,900,000	14,645,642
TV Asahi Corporation (A) . . . . .	6,612	16,833,617
Takefuji Corporation (A) . . . . .	420,180	32,758,605
		<b>271,655,779</b>
<b>Malaysia – 1.93%</b>		
Arab-Malaysian Corporation Berhad (A)* . . . . .	45,057,700	<b>13,150,297</b>
<b>Singapore – 3.36%</b>		
Singapore Press Holdings Limited (A) . . . . .	8,382,000	<b>22,885,668</b>

See Notes to Schedule of Investments on page 61.

# The Investments of Ivy Cundill Global Value Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>South Korea – 6.60%</b>		
Dongwon Financial Holding Co., Ltd. (A) . . . . .	371,000	\$ 10,855,238
Korea Electric Power Corporation (A) . . . . .	200,000	6,830,391
Korea Tobacco & Ginseng Corporation (A) . . . . .	630,000	27,317,728
		<u>45,003,357</u>
<b>United States – 11.24%</b>		
DIRECTV Group, Inc. (The)* . . . . .	1,700,000	25,466,000
Liberty Global, Inc., Series A* . . . . .	293,751	7,956,246
Liberty Global, Inc., Series C* . . . . .	293,751	7,565,557
Liberty Media Corporation, Class A* . . . . .	1,587,000	12,775,350
MCI, Inc. . . . .	900,000	22,846,500
		<u>76,609,653</u>
<b>TOTAL COMMON STOCKS – 80.19%</b>		<b>\$546,701,583</b>

(Cost: \$468,093,914)

UNREALIZED GAIN (LOSS) ON OPEN FORWARD CURRENCY CONTRACTS – 1.69%	Face Amount in Thousands	
Euro, 10–7–05 (C) . . . . .	EUR11,212	672,232
Euro, 1–27–06 (C) . . . . .	16,737	(68,988)
Japanese Yen, 10–7–05 (C) . . . . .	JPY11,672,831	8,954,835
Japanese Yen, 1–27–06 (C) . . . . .	11,657,210	1,317,755
Singapore Dollar, 10–7–05 (C) . . . . .	SGD13,960	207,698
Singapore Dollar, 1–27–06 (C) . . . . .	19,942	36,996
South Korean Won, 10–7–05 (C) . . . . .	KRW11,381,698	377,257
South Korean Won, 1–27–06 (C) . . . . .	25,522,840	42,136
		<u>\$ 11,539,921</u>

SHORT-TERM SECURITIES	Principal Amount in Thousands	
<b>Repurchase Agreement – 4.19%</b>		
J.P. Morgan Securities Inc., 2.75% Repurchase Agreement dated 9–30–05 to be repurchased at \$28,557,543 on 10–3–05 (D) . . . . .	\$28,551	<u>28,551,000</u>

See Notes to Schedule of Investments on page 61.

# The Investments of Ivy Cundill Global Value Fund

September 30, 2005

SHORT-TERM SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>United States Government Securities</b>		
<b>Treasury Obligations – 16.81%</b>		
United States Treasury Bills:		
3.13%, 10–6–05 .....	\$25,000	\$ 24,989,132
3.025%, 10–20–05 .....	10,000	9,984,035
3.08%, 10–20–05 .....	10,000	9,983,745
3.375%, 11–3–05 .....	10,000	9,969,062
3.265%, 11–17–05 .....	15,000	14,936,061
3.32%, 11–17–05 .....	20,000	19,913,311
3.31%, 11–25–05 .....	15,000	14,924,146
3.37%, 12–29–05 .....	10,000	9,916,686
		<b>114,616,178</b>
<b>TOTAL SHORT-TERM SECURITIES – 21.00%</b>		<b>\$143,167,178</b>
(Cost: \$143,167,178)		
<b>TOTAL INVESTMENT SECURITIES – 102.88%</b>		<b>\$701,408,682</b>
(Cost: \$611,261,092)		
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (2.88%)</b>		<b>(19,654,887)</b>
<b>NET ASSETS – 100.00%</b>		<b>\$681,753,795</b>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of this security amounted to 0.67% of net assets.

(C) Principal amounts are denominated in the indicated foreign currency, where applicable (EUR – Euro, JPY – Japanese Yen, KRW – Korean Won, SGD – Singapore Dollar).

(D) Collateralized by \$28,255,283 United States Treasury Note, 6.5% due 10–15–06; market value and accrued interest aggregate \$29,107,557.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY CUNDILL GLOBAL VALUE FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (Notes 1 and 3):	
Securities (cost – \$582,710) . . . . .	\$672,858
Repurchase agreement (cost – \$28,551) . . . . .	28,551
	<u>701,409</u>
Receivables:	
Fund shares sold . . . . .	7,210
Dividends and interest . . . . .	1,313
Prepaid and other assets . . . . .	56
Total assets . . . . .	<u>709,988</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	26,447
Payable to Fund shareholders . . . . .	710
Accrued management fee (Note 2) . . . . .	515
Accrued shareholder servicing (Note 2) . . . . .	188
Accrued service fee (Note 2) . . . . .	133
Accrued distribution fee (Note 2) . . . . .	116
Due to custodian . . . . .	42
Accrued accounting services fee (Note 2) . . . . .	9
Accrued administrative fee (Note 2) . . . . .	6
Other . . . . .	68
Total liabilities . . . . .	<u>28,234</u>
Total net assets . . . . .	<u>\$681,754</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$586,239
Accumulated undistributed income (loss):	
Accumulated undistributed net investment loss . . . . .	(1,268)
Accumulated undistributed net realized gain on investment transactions . . . . .	6,638
Net unrealized appreciation in value of investments . . . . .	<u>90,145</u>
Net assets applicable to outstanding units of capital . . . . .	<u>\$681,754</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$14.99
Class B . . . . .	\$14.65
Class C . . . . .	\$14.61
Class Y . . . . .	\$15.06
Advisor Class . . . . .	\$15.01
Class I . . . . .	\$14.91
Capital shares outstanding:	
Class A . . . . .	31,200
Class B . . . . .	3,309
Class C . . . . .	10,198
Class Y . . . . .	894
Advisor Class . . . . .	207
Class I . . . . .	2

See Notes to Financial Statements.

# Statement of Operations

## IVY CUNDILL GLOBAL VALUE FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$349) . . . . .	\$ 3,653
Interest and amortization . . . . .	2,006
Total income . . . . .	<u>5,659</u>
Expenses (Note 2):	
Investment management fee . . . . .	2,741
Shareholder servicing:	
Class A . . . . .	618
Class B . . . . .	93
Class C . . . . .	136
Class Y . . . . .	9
Advisor Class . . . . .	1
Class I . . . . .	—*
Service fee:	
Class A . . . . .	420
Class B . . . . .	52
Class C . . . . .	148
Class Y . . . . .	14
Distribution fee:	
Class A . . . . .	58
Class B . . . . .	157
Class C . . . . .	445
Custodian fees . . . . .	74
Accounting services fee . . . . .	50
Administrative fee . . . . .	28
Audit fees . . . . .	11
Legal fees . . . . .	10
Other . . . . .	173
Total . . . . .	<u>5,238</u>
Less expenses in excess of voluntary limit (Note 2) . . . . .	(18)
Total expenses . . . . .	<u>5,220</u>
Net investment income . . . . .	<u>439</u>

### REALIZED AND UNREALIZED GAIN

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities . . . . .	10,168
Realized net gain on foreign currency transactions . . . . .	163
Realized net gain on investments . . . . .	<u>10,331</u>
Unrealized appreciation in value of securities during the period . . . . .	<u>33,615</u>
Unrealized appreciation in value of forward currency contracts during the period . . . . .	7,348
Unrealized appreciation in value of investments during the period . . . . .	<u>40,963</u>
Net gain on investments . . . . .	<u>51,294</u>
Net increase in net assets resulting from operations . . . . .	<u>\$51,733</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY CUNDILL GLOBAL VALUE FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income (loss) . . . . .	\$ 439	\$ (356)
Realized net gain (loss) on investments . . . . .	10,331	(3,283)
Unrealized appreciation. . . . .	40,963	36,619
Net increase in net assets resulting from operations . . . . .	51,733	32,980
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A . . . . .	(—)	(1,187)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(76)
Advisor Class . . . . .	(—)	(27)
Class I . . . . .	(—)	(1)
Realized gains on investment transactions:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Advisor Class . . . . .	(—)	(—)
Class I . . . . .	(—)	(—)
	(—)	(1,291)
Capital share transactions (Note 5) . . . . .	162,533	336,235
Total increase . . . . .	214,266	367,924
<b>NET ASSETS</b>		
Beginning of period. . . . .	467,488	99,564
End of period. . . . .	\$681,754	\$ 467,488
Undistributed net investment loss . . . . .	\$ (1,268)	\$ (1,870)

(1) See "Financial Highlights" on pages 65 - 70.

See Notes to Financial Statements.



# Financial Highlights

## IVY CUNDILL GLOBAL VALUE FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31, 2003	2002	For the period from 9-4-01 <sup>(1)</sup> to 12-31-01
Net asset value, beginning of period . . . . .	\$13.79	\$12.57	\$11.41	\$ 8.39	\$9.64	\$10.15
Income (loss) from investment operations:						
Net investment income (loss) . . . . .	0.03	0.04	0.01	0.01	(0.00) <sup>(2)</sup>	0.01
Net realized and unrealized gain (loss) on investments . . . . .	1.17	1.25	1.15	3.05	(1.17)	(0.23)
Total from investment operations . . . . .	1.20	1.29	1.16	3.06	(1.17)	(0.22)
Less distributions from:						
Net investment income . . .	(0.00)	(0.07)	(0.00)	(0.04)	(0.00)	(0.02)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.08)	(0.27)
Total distributions . . . . .	(0.00)	(0.07)	(0.00)	(0.04)	(0.08)	(0.29)
Net asset value, end of period . . . . .	\$14.99	\$13.79	\$12.57	\$11.41	\$8.39	\$ 9.64
Total return <sup>(3)</sup> . . . . .	8.70%	10.29%	10.17%	36.43%	-12.17%	-2.07%
Net assets, end of period (in thousands) . . . . .	\$467,657	\$320,750	\$58,678	\$29,530	\$1,403	\$213
Ratio of expenses to average net assets including reimbursement . . . . .	1.68% <sup>(4)</sup>	1.74%	1.70% <sup>(4)</sup>	2.05%	2.28%	4.47% <sup>(4)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.35% <sup>(4)</sup>	0.08%	-0.09% <sup>(4)</sup>	0.18%	0.02%	0.94% <sup>(4)</sup>
Ratio of expenses to average net assets excluding reimbursement . . . . .	—	—	1.84% <sup>(4)</sup>	2.21%	4.97%	31.77% <sup>(4)</sup>
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	—	—	-0.23% <sup>(4)</sup>	0.02%	-2.67%	-26.36% <sup>(4)</sup>
Portfolio turnover rate . . . . .	5%	5%	1%	24%	122%	57% <sup>(5)</sup>

(1) Commencement of operations of the class.

(2) Based on average shares outstanding.

(3) Total return calculated without taking into account the sales load deducted on an initial purchase.

(4) Annualized.

(5) For the 12 months ended December 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY CUNDILL GLOBAL VALUE FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31, 2003      2002		For the period from 9-26-01 <sup>(1)</sup> to 12-31-01
Net asset value, beginning of period . . . . .	\$13.54	\$12.38	\$11.26	\$ 8.32	\$9.61	\$9.26
Income (loss) from investment operations:						
Net investment						
income (loss) . . . . .	(0.02)	(0.01)	(0.02)	(0.06)	(0.05) <sup>(2)</sup>	0.01
Net realized and unrealized gain (loss) on investments . . . . .	1.13	1.17	1.14	3.00	(1.16)	0.62
Total from investment operations . . . . .	1.11	1.16	1.12	2.94	(1.21)	0.63
Less distributions from:						
Net investment income . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.08)	(0.26)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.08)	(0.28)
Net asset value, end of period . . . . .	\$14.65	\$13.54	\$12.38	\$11.26	\$8.32	\$9.61
Total return . . . . .	8.20%	9.37%	9.95%	35.34%	-12.62%	6.91%
Net assets, end of period (in millions) . . . . .	\$49	\$37	\$12	\$7	\$2	\$1
Ratio of expenses to average net assets including reimbursement . . . . .	2.56% <sup>(3)</sup>	2.62%	2.52% <sup>(3)</sup>	3.20%	2.84%	6.04% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	-0.52% <sup>(3)</sup>	-0.86%	-1.31% <sup>(3)</sup>	-1.13%	-0.54%	0.60% <sup>(3)</sup>
Ratio of expenses to average net assets excluding reimbursement . . . . .	—	—	2.67% <sup>(3)</sup>	3.36%	5.53%	39.53% <sup>(3)</sup>
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	—	—	-1.46% <sup>(3)</sup>	-1.29%	-3.23%	-32.89% <sup>(3)</sup>
Portfolio turnover rate . . . . .	5%	5%	1%	24%	122%	57% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average shares outstanding.

(3) Annualized.

(4) For the 12 months ended December 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY CUNDILL GLOBAL VALUE FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31, 2003      2002		For the period from 10-19-01 <sup>(1)</sup> to 12-31-01
Net asset value, beginning of period . . . . .	\$ 13.48	\$ 12.30	\$ 11.19	\$ 8.26	\$ 9.57	\$ 9.44
Income (loss) from investment operations:						
Net investment income (loss) . . . . .	(0.00)	(0.02)	(0.01)	(0.03)	(0.07) <sup>(2)</sup>	0.01
Net realized and unrealized gain (loss) on investments . . . . .	1.13	1.20	1.12	2.96	(1.16)	0.40
Total from investment operations . . . . .	1.13	1.18	1.11	2.93	(1.23)	0.41
Less distributions from:						
Net investment income . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.08)	(0.26)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.08)	(0.28)
Net asset value, end of period . . . . .	\$ 14.61	\$ 13.48	\$ 12.30	\$ 11.19	\$ 8.26	\$ 9.57
Total return . . . . .	8.38%	9.59%	9.92%	35.47%	-12.88%	4.44%
Net assets, end of period (in thousands) . . . . .	\$148,955	\$96,375	\$23,840	\$11,235	\$446	\$30
Ratio of expenses to average net assets including reimbursement . . . . .	2.33% <sup>(3)</sup>	2.42%	2.35% <sup>(3)</sup>	2.93%	3.10%	7.71% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	-0.30% <sup>(3)</sup>	-0.62%	-1.09% <sup>(3)</sup>	-0.83%	-0.80%	0.99% <sup>(3)</sup>
Ratio of expenses to average net assets excluding reimbursement . . . . .	—	—	2.50% <sup>(3)</sup>	3.10%	5.79%	51.61% <sup>(3)</sup>
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	—	—	-1.23% <sup>(3)</sup>	-1.00%	-3.49%	-42.91% <sup>(3)</sup>
Portfolio turnover rate . . . . .	5%	5%	1%	24%	122%	57% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average shares outstanding.

(3) Annualized.

(4) For the 12 months ended December 31, 2001.

See Notes to Financial Statements.

# Financial Highlights

## IVY CUNDILL GLOBAL VALUE FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the period from 7-24-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$13.82	\$12.58	\$11.40	\$ 9.84
Income (loss) from investment operations:				
Net investment income (loss) . . . . .	0.06	0.07	(0.01)	0.02
Net realized and unrealized gain on investments . . . . .	1.18	1.29	1.19	1.58
Total from investment operations . . . . .	1.24	1.36	1.18	1.60
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.12)	(0.00)	(0.04)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.12)	(0.00)	(0.04)
Net asset value, end of period . . . . .	\$15.06	\$13.82	\$12.58	\$11.40
Total return . . . . .	8.97%	10.90%	10.35%	16.28%
Net assets, end of period (in millions) . . . . .	\$13	\$10	\$2	\$1
Ratio of expenses to average net assets including reimbursement . . . . .	1.17% <sup>(2)</sup>	1.20%	1.20% <sup>(2)</sup>	1.76% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.86% <sup>(2)</sup>	0.52%	-0.32% <sup>(2)</sup>	0.55% <sup>(2)</sup>
Ratio of expenses to average net assets excluding reimbursement . . . . .	1.49% <sup>(2)</sup>	1.56%	1.80% <sup>(2)</sup>	2.09% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	0.54% <sup>(2)</sup>	0.16%	-0.92% <sup>(2)</sup>	0.22% <sup>(2)</sup>
Portfolio turnover rate . . . . .	5%	5%	1%	24% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the 12 months ended December 31, 2003.

See Notes to Financial Statements.

# Financial Highlights

## IVY CUNDILL GLOBAL VALUE FUND

Advisor Class Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			For the period from 4-19-00 <sup>(2)</sup> to 12-31-00
	2003	2002	2001				
Net asset value, beginning of period . . . .	\$13.77	\$12.54	\$11.37	\$ 8.34	\$9.55	\$10.07	\$10.00
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.05	0.04	(0.01)	(0.01)	0.04 <sup>(3)</sup>	0.03	0.05
Net realized and unrealized gain (loss) on investments . . . . .	1.19	1.32	1.18	3.10	(1.17)	(0.25)	0.41
Total from investment operations . . . . .	1.24	1.36	1.17	3.09	(1.13)	(0.22)	0.46
Less distributions from:							
Net investment income . .	(0.00)	(0.13)	(0.00)	(0.06)	(0.00)	(0.02)	(0.19)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.08)	(0.28)	(0.20)
Total distributions . . . . .	(0.00)	(0.13)	(0.00)	(0.06)	(0.08)	(0.30)	(0.39)
Net asset value, end of period . . . . .	\$15.01	\$13.77	\$12.54	\$11.37	\$8.34	\$ 9.55	\$10.07
Total return . . . . .	9.01%	10.86%	10.29%	37.11%	-11.86%	-2.13%	4.66%
Net assets, end of period (in millions) . . . . .	\$3	\$3	\$3	\$3	\$2	\$1	\$1
Ratio of expenses to average net assets including reimbursement . . . . .	1.15% <sup>(4)</sup>	1.23%	1.26% <sup>(4)</sup>	2.12%	1.83%	1.40%	1.95% <sup>(4)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.89% <sup>(4)</sup>	0.41%	-0.17% <sup>(4)</sup>	-0.07%	0.47%	0.37%	0.70% <sup>(4)</sup>
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	—	—	1.41% <sup>(4)</sup>	2.28%	4.52%	10.30%	19.15% <sup>(4)</sup>
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	—	—	-0.32% <sup>(4)</sup>	-0.23%	-2.22%	-8.53%	-16.50% <sup>(4)</sup>
Portfolio turnover rate . . . . .	5%	5%	1%	24%	122%	57%	53%

(1) See Note 5 to financial statements.

(2) Commencement of operations of the class.

(3) Based on average shares outstanding.

(4) Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY CUNDILL GLOBAL VALUE FUND

Class I Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended 12-31-03	For the period from 11-5-02 <sup>(2)</sup> to 12-31-02
Net asset value, beginning of period . . . . .	\$13.70	\$12.49	\$11.33	\$ 8.31	\$ 8.85
Income (loss) from investment operations:					
Net investment income (loss) . . . . .	(0.41)	0.02	(0.01)	0.00	0.26
Net realized and unrealized gain (loss) on investments . . . . .	1.62	1.30	1.17	3.08	(0.72)
Total from investment operations . . . . .	1.21	1.32	1.16	3.08	(0.46)
Less distributions from:					
Net investment income . . . .	(0.00)	(0.11)	(0.00)	(0.06)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.08)
Total distributions . . . . .	(0.00)	(0.11)	(0.00)	(0.06)	(0.08)
Net asset value, end of period . . . . .	\$14.91	\$13.70	\$12.49	\$11.33	\$ 8.31
Total return . . . . .	8.83%	10.62%	10.24%	37.12%	-5.23%
Net assets, end of period (in thousands) . . . . .	\$22	\$70	\$63	\$57	\$42
Ratio of expenses to average net assets including reimbursement . . . . .	1.31% <sup>(3)</sup>	1.49%	1.39% <sup>(3)</sup>	2.03%	11.51% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.75% <sup>(3)</sup>	0.16%	-0.29% <sup>(3)</sup>	0.03%	2.96% <sup>(3)</sup>
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	1.53% <sup>(3)</sup>	2.20%	28.44% <sup>(3)</sup>
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	NA	NA	-0.44% <sup>(3)</sup>	-0.13%	-13.97% <sup>(3)</sup>
Portfolio turnover rate . . . . .	5%	5%	1%	24%	122% <sup>(4)</sup>

(1) See Note 5 to financial statements.

(2) Commencement of operations of the class.

(3) Annualized.

(4) For the 12 months ended December 31, 2002.

See Notes to Financial Statements.

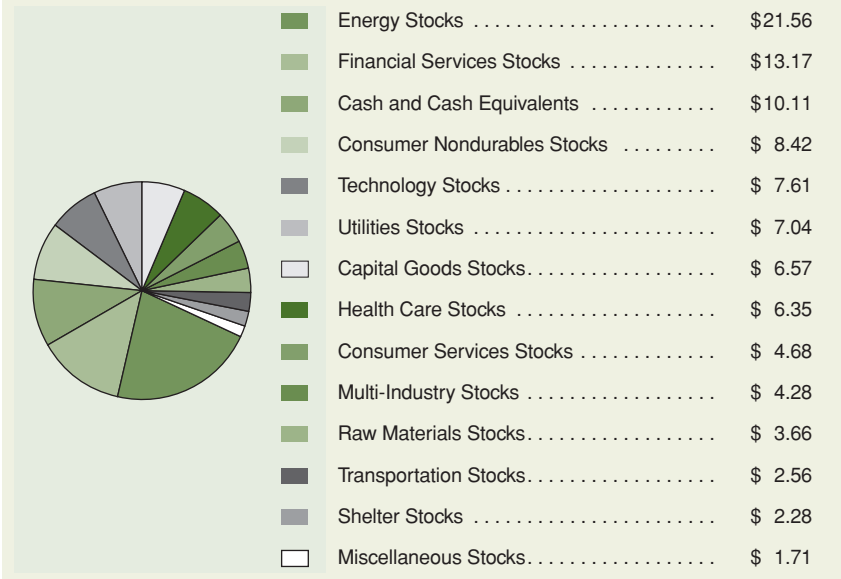
# SHAREHOLDER SUMMARY OF IVY DIVIDEND INCOME FUND

## Portfolio Highlights

On September 30, 2005, Ivy Dividend Income Fund had net assets totaling \$65,796,685 invested in a diversified portfolio of:

89.89%	Common Stocks
10.11%	Cash and Cash Equivalents

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



# The Investments of Ivy Dividend Income Fund

September 30, 2005

COMMON STOCKS	Shares	Value
<b>Aircraft – 3.36%</b>		
Boeing Company (The) . . . . .	15,350	\$ 1,043,033
Goodrich Corporation. . . . .	16,250	720,525
Lockheed Martin Corporation . . . . .	7,300	445,592
		<u>2,209,150</u>
<b>Aluminum – 0.59%</b>		
Alcoa Incorporated . . . . .	16,000	<u>390,720</u>
<b>Banks – 1.25%</b>		
Bank of America Corporation. . . . .	19,500	<u>820,950</u>
<b>Beverages – 1.41%</b>		
Diageo plc, ADR. . . . .	15,950	<u>925,260</u>
<b>Business Equipment and Services – 1.09%</b>		
Genuine Parts Company . . . . .	16,700	<u>716,430</u>
<b>Capital Equipment – 3.72%</b>		
Caterpillar Inc. . . . .	20,150	1,183,813
Deere & Company . . . . .	20,650	1,263,780
		<u>2,447,593</u>
<b>Chemicals – Petroleum and Inorganic – 1.21%</b>		
Dow Chemical Company (The) . . . . .	9,700	404,199
du Pont (E.I.) de Nemours and Company . . . . .	10,050	393,658
		<u>797,857</u>
<b>Chemicals – Specialty – 0.50%</b>		
Air Products and Chemicals, Inc. . . . .	5,950	<u>328,083</u>
<b>Computers – Peripherals – 3.11%</b>		
Microsoft Corporation. . . . .	43,700	1,124,183
SAP Aktiengesellschaft, ADR . . . . .	21,350	925,096
		<u>2,049,279</u>
<b>Electrical Equipment – 0.59%</b>		
Emerson Electric Co. . . . .	5,400	<u>387,720</u>
<b>Electronic Components – 1.14%</b>		
Microchip Technology Incorporated . . . . .	10,350	311,638
Texas Instruments Incorporated. . . . .	13,000	440,700
		<u>752,338</u>

See Notes to Schedule of Investments on page 76.



# The Investments of Ivy Dividend Income Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Finance Companies – 3.00%</b>		
SLM Corporation .....	36,855	<u>\$ 1,976,902</u>
<b>Food and Related – 0.41%</b>		
Campbell Soup Company .....	9,000	<u>267,750</u>
<b>Health Care – Drugs – 2.56%</b>		
Abbott Laboratories .....	17,700	750,480
Pfizer Inc. ....	37,500	936,375
		<u>1,686,855</u>
<b>Health Care – General – 0.99%</b>		
Johnson & Johnson .....	10,250	<u>648,620</u>
<b>Hospital Supply and Management – 2.80%</b>		
Medtronic, Inc. ....	25,100	1,345,862
PacifiCare Health Systems, Inc.* .....	6,250	498,625
		<u>1,844,487</u>
<b>Hotels and Gaming – 4.10%</b>		
Harrah's Entertainment, Inc. ....	14,450	941,995
Starwood Hotels & Resorts Worldwide, Inc. ....	30,700	1,755,119
		<u>2,697,114</u>
<b>Household – General Products – 2.54%</b>		
Colgate-Palmolive Company .....	18,000	950,220
Procter & Gamble Company (The) .....	12,100	719,466
		<u>1,669,686</u>
<b>Insurance – Property and Casualty – 2.44%</b>		
Allstate Corporation (The) .....	17,650	975,868
St. Paul Companies, Inc. (The) .....	14,100	632,667
		<u>1,608,535</u>
<b>Leisure Time Industry – 0.58%</b>		
Carnival Corporation .....	7,600	<u>379,848</u>
<b>Mining – 1.36%</b>		
Freeport-McMoRan Copper & Gold Inc., Class B .....	18,400	<u>894,056</u>

See Notes to Schedule of Investments on page 76.

# The Investments of Ivy Dividend Income Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Multiple Industry – 4.28%</b>		
3M Company . . . . .	4,450	\$ 326,452
General Electric Company . . . . .	49,750	1,675,083
NRG Energy, Inc.* . . . . .	7,550	321,630
Valor Communications Group, Inc. . . . .	36,100	492,043
		<u>2,815,208</u>
<b>Non-Residential Construction – 2.26%</b>		
Fluor Corporation . . . . .	23,150	<u>1,490,397</u>
<b>Petroleum – International – 9.81%</b>		
Anadarko Petroleum Corporation . . . . .	16,450	1,575,088
BP p.l.c., ADR . . . . .	10,150	719,128
Burlington Resources Inc. . . . .	21,950	1,784,974
Exxon Mobil Corporation . . . . .	31,250	1,985,625
Marathon Oil Corporation . . . . .	5,650	389,454
		<u>6,454,269</u>
<b>Petroleum – Services – 11.75%</b>		
BJ Services Company . . . . .	22,600	813,374
Baker Hughes Incorporated . . . . .	28,250	1,685,960
National Oilwell Varco, Inc.* . . . . .	12,350	812,630
Patterson-UTI Energy, Inc. . . . .	40,800	1,470,636
Schlumberger Limited . . . . .	18,200	1,535,716
Transocean Inc.* . . . . .	13,000	797,030
Weatherford International Ltd.* . . . . .	8,950	614,507
		<u>7,729,853</u>
<b>Railroad – 0.83%</b>		
Union Pacific Corporation . . . . .	7,600	<u>544,920</u>
<b>Real Estate Investment Trust – 2.28%</b>		
ProLogis . . . . .	13,900	615,909
Simon Property Group, Inc. . . . .	11,900	882,028
		<u>1,497,937</u>
<b>Retail – General Merchandise – 0.62%</b>		
Federated Department Stores, Inc. . . . .	6,081	<u>406,636</u>

See Notes to Schedule of Investments on page 76.

# The Investments of Ivy Dividend Income Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Savings and Loans – 0.48%</b>		
Capitol Federal Financial .....	9,250	\$ 316,119
<b>Security and Commodity Brokers – 6.00%</b>		
Alliance Capital Management L.P. ....	6,900	330,165
Chicago Mercantile Exchange Holdings Inc. ....	3,700	1,248,010
Franklin Resources, Inc. ....	3,900	327,444
Marsh & McLennan Companies, Inc. ....	24,050	730,879
Merrill Lynch & Co., Inc. ....	9,650	592,028
Morgan (J.P.) Chase & Co. ....	21,152	717,687
		<b>3,946,213</b>
<b>Tobacco – 4.06%</b>		
Altria Group, Inc. ....	25,000	1,842,750
Reynolds American Inc. ....	10,000	830,200
		<b>2,672,950</b>
<b>Trucking and Shipping – 1.73%</b>		
United Parcel Service, Inc., Class B .....	16,450	<b>1,137,189</b>
<b>Utilities – Electric – 1.57%</b>		
Dominion Resources, Inc. ....	8,200	706,348
NiSource Inc. ....	13,550	328,587
		<b>1,034,935</b>
<b>Utilities – Gas and Pipeline – 2.96%</b>		
Enbridge Inc. ....	21,250	678,300
Kinder Morgan, Inc. ....	13,200	1,269,312
		<b>1,947,612</b>
<b>Utilities – Telephone – 2.51%</b>		
BellSouth Corporation .....	20,350	535,205
Iowa Telecommunications Services, Inc. ....	29,800	501,236
Vodafone Group Plc, ADR .....	23,750	616,787
		<b>1,653,228</b>
<b>TOTAL COMMON STOCKS – 89.89%</b>		<b>\$59,146,699</b>
(Cost: \$48,648,466)		

See Notes to Schedule of Investments on page 76.

# The Investments of Ivy Dividend Income Fund

September 30, 2005

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
<b>Commercial Paper</b>		
<b>Forest and Paper Products – 2.74%</b>		
Sonoco Products Co.,		
3.94%, 10–3–05 .....	\$ 1,802	<u>\$ 1,801,606</u>
<b>Multiple Industry – 3.04%</b>		
Michigan Consolidated Gas Co.,		
3.87%, 10–5–05 .....	2,000	<u>1,999,140</u>
<b>Security and Commodity Brokers – 3.04%</b>		
UBS Finance Delaware LLC (UBS AG),		
3.8%, 10–6–05 .....	2,000	<u>1,998,944</u>
<b>Total Commercial Paper – 8.82%</b>		<u>5,799,690</u>
<b>United States Government Agency Obligation – 3.81%</b>		
Federal Home Loan Mortgage Corporation,		
3.18%, 10–3–05 .....	2,509	<u>2,508,557</u>
<b>TOTAL SHORT-TERM SECURITIES – 12.63%</b>		<u>\$ 8,308,247</u>
(Cost: \$8,308,247)		
<b>TOTAL INVESTMENT SECURITIES – 102.52%</b>		<u>\$67,454,946</u>
(Cost: \$56,956,713)		
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (2.52%)</b>		<u>(1,658,261)</u>
<b>NET ASSETS – 100.00%</b>		<u>\$65,796,685</u>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY DIVIDEND INCOME FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$56,957) (Notes 1 and 3) . . . . .	\$ 67,455
Cash . . . . .	—*
Receivables:	
Investment securities sold . . . . .	281
Fund shares sold . . . . .	204
Dividends and interest . . . . .	124
Prepaid and other assets . . . . .	29
Total assets . . . . .	<u>68,093</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	2,186
Payable to Fund shareholders . . . . .	72
Accrued shareholder servicing (Note 2) . . . . .	20
Accrued accounting services fee (Note 2) . . . . .	4
Accrued distribution and service fees (Note 2) . . . . .	1
Accrued management fee (Note 2) . . . . .	1
Other . . . . .	12
Total liabilities . . . . .	<u>2,296</u>
Total net assets . . . . .	<u>\$65,797</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$55,417
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income . . . . .	46
Accumulated undistributed net realized loss	
on investment transactions . . . . .	(164)
Net unrealized appreciation in value of investments . . . . .	10,498
Net assets applicable to outstanding units of capital . . . . .	<u>\$65,797</u>

### Net asset value per share (net assets divided by shares outstanding):

Class A . . . . .	\$13.28
Class B . . . . .	\$13.23
Class C . . . . .	\$13.22
Class Y . . . . .	\$13.28

### Capital shares outstanding:

Class A . . . . .	3,465
Class B . . . . .	511
Class C . . . . .	898
Class Y . . . . .	88

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Operations

## IVY DIVIDEND INCOME FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$1) .....	\$ 572
Interest and amortization .....	73
Total income .....	<u>645</u>
Expenses (Note 2):	
Investment management fee .....	193
Shareholder servicing:	
Class A .....	53
Class B .....	12
Class C .....	19
Class Y .....	1
Service fee:	
Class A .....	40
Class B .....	8
Class C .....	13
Class Y .....	1
Distribution fee:	
Class A .....	7
Class B .....	23
Class C .....	40
Registration fees .....	27
Accounting services fee .....	21
Audit fees .....	10
Custodian fees .....	5
Other .....	13
Total expenses .....	<u>486</u>
Net investment income .....	<u>159</u>

### REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net loss on securities .....	(293)
Unrealized appreciation in value of securities during the period .....	5,348
Net gain on investments .....	<u>5,055</u>
Net increase in net assets resulting from operations .....	<u>\$5,214</u>

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY DIVIDEND INCOME FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income . . . . .	\$ 159	\$ 239
Realized net gain (loss) on investments . . . . .	(293)	130
Unrealized appreciation. . . . .	5,348	3,430
Net increase in net assets resulting from operations . . . . .	5,214	3,799
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A. . . . .	(131)	(208)
Class B. . . . .	(—)	(—)
Class C. . . . .	(—)	(—)
Class Y. . . . .	(5)	(9)
Realized gains on investment transactions:		
Class A. . . . .	(—)	(84)
Class B. . . . .	(—)	(16)
Class C. . . . .	(—)	(29)
Class Y. . . . .	(—)	(3)
	(136)	(349)
Capital share transactions (Note 5) . . . . .	11,779	19,821
Total increase . . . . .	16,857	23,271
<b>NET ASSETS</b>		
Beginning of period. . . . .	48,940	25,669
End of period. . . . .	\$65,797	\$48,940
Undistributed net investment income . . . . .	\$ 46	\$ 23

(1) See "Financial Highlights" on pages 80 - 83.

See Notes to Financial Statements.

# Financial Highlights

## IVY DIVIDEND INCOME FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the period from 6-30-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$12.13	\$11.07	\$11.03	\$10.00
Income from investment operations:				
Net investment income . . . . .	0.05	0.09	0.01	0.04
Net realized and unrealized gain on investments . . . . .	1.14	1.10	0.04	1.03
Total from investment operations . . . . .	1.19	1.19	0.05	1.07
Less distributions from:				
Net investment income . . . . .	(0.04)	(0.09)	(0.01)	(0.04)
Capital gains . . . . .	(0.00)	(0.04)	(0.00)	(0.00)
Total distributions . . . . .	(0.04)	(0.13)	(0.01)	(0.04)
Net asset value, end of period . . . .	<u>\$13.28</u>	<u>\$12.13</u>	<u>\$11.07</u>	<u>\$11.03</u>
Total return <sup>(2)</sup> . . . . .	9.84%	10.78%	0.41%	10.70%
Net assets, end of period (in millions) . . . . .	\$46	\$32	\$17	\$16
Ratio of expenses to average net assets including voluntary expense waiver . . . . .	1.51% <sup>(3)</sup>	1.59%	2.00% <sup>(3)</sup>	1.11% <sup>(3)</sup>
Ratio of net investment income to average net assets including voluntary expense waiver . . . . .	0.83% <sup>(3)</sup>	0.94%	0.20% <sup>(3)</sup>	1.34% <sup>(3)</sup>
Ratio of expenses to average net assets excluding voluntary expense waiver . . . . .	— <sup>(4)</sup>	— <sup>(4)</sup>	2.40% <sup>(3)</sup>	1.81% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets excluding voluntary expense waiver . . . . .	— <sup>(4)</sup>	— <sup>(4)</sup>	-0.20% <sup>(3)</sup>	0.64% <sup>(3)</sup>
Portfolio turnover rate . . . . .	9%	32%	12%	16%

(1) Commencement of operations of the class.

(2) Total return calculated without taking into account the sales load deducted on an initial purchase.

(3) Annualized.

(4) Because the Fund's net assets exceeded \$25 million, there was no waiver of expenses. Therefore, no ratio is provided.

See Notes to Financial Statements.



# Financial Highlights

## IVY DIVIDEND INCOME FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the period from 6-30-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$12.09	\$11.05	\$11.03	\$10.00
Income (loss) from investment operations:				
Net investment income (loss) . . . . .	(0.00)	0.02	(0.02)	0.01
Net realized and unrealized gain on investments . . . . .	1.14	1.06	0.04	1.03
Total from investment operations . . . . .	1.14	1.08	0.02	1.04
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.01)
Capital gains . . . . .	(0.00)	(0.04)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.04)	(0.00)	(0.01)
Net asset value, end of period . . . .	\$13.23	\$12.09	\$11.05	\$11.03
Total return . . . . .	9.43%	9.76%	0.18%	10.36%
Net assets, end of period (in millions) . . . . .	\$7	\$6	\$2	\$2
Ratio of expenses to average net assets including voluntary expense waiver . . . . .	2.36% <sup>(2)</sup>	2.44%	2.99% <sup>(2)</sup>	2.03% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets including voluntary expense waiver . . . . .	-0.05% <sup>(2)</sup>	0.11%	-0.81% <sup>(2)</sup>	0.36% <sup>(2)</sup>
Ratio of expenses to average net assets excluding voluntary expense waiver . . . . .	— <sup>(3)</sup>	— <sup>(3)</sup>	3.39% <sup>(2)</sup>	2.73% <sup>(2)</sup>
Ratio of net investment loss to average net assets excluding voluntary expense waiver . . . . .	— <sup>(3)</sup>	— <sup>(3)</sup>	-1.21% <sup>(2)</sup>	-0.34% <sup>(2)</sup>
Portfolio turnover rate . . . . .	9%	32%	12%	16%

(1) Commencement of operations of the class.

(2) Annualized.

(3) Because the Fund's net assets exceeded \$25 million, there was no waiver of expenses. Therefore, no ratio is provided.

See Notes to Financial Statements.

# Financial Highlights

## IVY DIVIDEND INCOME FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the period from 6-30-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$12.09	\$11.05	\$11.03	\$10.00
Income (loss) from investment operations:				
Net investment income (loss) . . . . .	(0.00)	0.01	(0.02)	0.01
Net realized and unrealized gain on investments. . . . .	1.13	1.07	0.04	1.03
Total from investment operations . . . . .	1.13	1.08	0.02	1.04
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.01)
Capital gains . . . . .	(0.00)	(0.04)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.04)	(0.00)	(0.01)
Net asset value, end of period . . . .	\$13.22	\$12.09	\$11.05	\$11.03
Total return . . . . .	9.35%	9.76%	0.18%	10.38%
Net assets, end of period (in millions) . . . . .	\$12	\$10	\$6	\$5
Ratio of expenses to average net assets including voluntary expense waiver . . . . .	2.33% <sup>(2)</sup>	2.42%	2.88% <sup>(2)</sup>	1.98% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets including voluntary expense waiver . . . . .	-0.02% <sup>(2)</sup>	0.10%	-0.68% <sup>(2)</sup>	0.45% <sup>(2)</sup>
Ratio of expenses to average net assets excluding voluntary expense waiver . . . . .	— <sup>(3)</sup>	— <sup>(3)</sup>	3.28% <sup>(2)</sup>	2.68% <sup>(2)</sup>
Ratio of net investment loss to average net assets excluding voluntary expense waiver . . . . .	— <sup>(3)</sup>	— <sup>(3)</sup>	-1.08% <sup>(2)</sup>	-0.25% <sup>(2)</sup>
Portfolio turnover rate. . . . .	9%	32%	12%	16%

(1) Commencement of operations of the class.

(2) Annualized.

(3) Because the Fund's net assets exceeded \$25 million, there was no waiver of expenses. Therefore, no ratio is provided.

See Notes to Financial Statements.

# Financial Highlights

## IVY DIVIDEND INCOME FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the period from 6-30-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$12.13	\$11.07	\$11.03	\$10.00
Income from investment operations:				
Net investment income . . . . .	0.06	0.11	0.01	0.05
Net realized and unrealized gain on investments . . . . .	1.14	1.10	0.04	1.03
Total from investment operations . . . . .	1.20	1.21	0.05	1.08
Less distributions from:				
Net investment income . . . . .	(0.05)	(0.11)	(0.01)	(0.05)
Capital gains . . . . .	(0.00)	(0.04)	(0.00)	(0.00)
Total distributions . . . . .	(0.05)	(0.15)	(0.01)	(0.05)
Net asset value, end of period . . . .	<u>\$13.28</u>	<u>\$12.13</u>	<u>\$11.07</u>	<u>\$11.03</u>
Total return . . . . .	9.92%	10.94%	0.42%	10.78%
Net assets, end of period (in millions) . . . . .	\$1	\$1	\$1	\$1
Ratio of expenses to average net assets including voluntary expense waiver . . . . .	1.36% <sup>(2)</sup>	1.44%	1.91% <sup>(2)</sup>	1.25% <sup>(2)</sup>
Ratio of net investment income to average net assets including voluntary expense waiver . . . . .	0.95% <sup>(2)</sup>	1.09%	0.28% <sup>(2)</sup>	1.08% <sup>(2)</sup>
Ratio of expenses to average net assets excluding voluntary expense waiver . . . . .	— <sup>(3)</sup>	— <sup>(3)</sup>	2.31% <sup>(2)</sup>	1.95% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets excluding voluntary expense waiver . . . . .	— <sup>(3)</sup>	— <sup>(3)</sup>	-0.12% <sup>(2)</sup>	0.38% <sup>(2)</sup>
Portfolio turnover rate . . . . .	9%	32%	12%	16%

(1) Commencement of operations of the class.

(2) Annualized.

(3) Because the Fund's net assets exceeded \$25 million, there was no waiver of expenses. Therefore, no ratio is provided.

See Notes to Financial Statements.

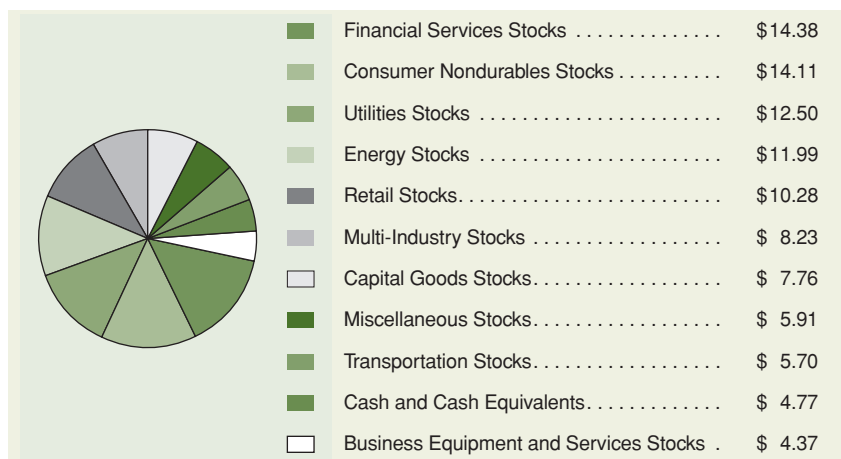
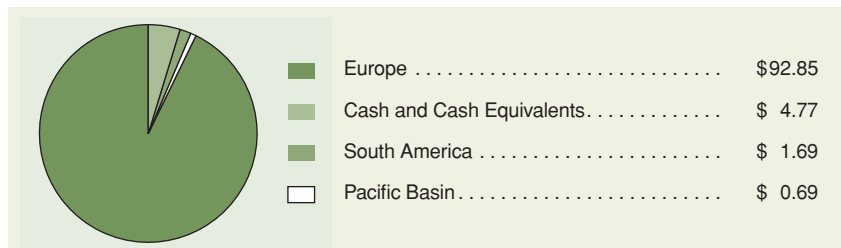
## SHAREHOLDER SUMMARY OF IVY EUROPEAN OPPORTUNITIES FUND

### Portfolio Highlights

On September 30, 2005, Ivy European Opportunities Fund had net assets totaling \$297,272,528 invested in a diversified portfolio of:

95.23%	Common Stocks
4.77%	Cash and Cash Equivalents

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund was invested by geographic region and by industry, respectively, as follows:



# The Investments of Ivy European Opportunities Fund

September 30, 2005

COMMON STOCKS	Shares	Value
<b>Argentina – 1.69%</b>		
NDS Group plc, ADR* .....	135,000	<u>\$ 5,017,950</u>
<b>Australia – 0.69%</b>		
Centamin Egypt Limited*(A) .....	7,700,000	<u>2,057,444</u>
<b>Austria – 6.90%</b>		
AGRANA Beteiligungs-AG (A) .....	17,500	1,701,311
Andritz AG (A) .....	20,000	1,994,839
OMV Aktiengesellschaft (A) .....	180,000	10,690,347
Telekom Austria Aktiengesellschaft (A) .....	138,000	2,745,248
Wienerberger AG (A) .....	86,000	3,389,568
		<u>20,521,313</u>
<b>Czech Republic – 0.45%</b>		
Zentiva N.V., GDR (B) .....	28,909	<u>1,326,923</u>
<b>France – 10.93%</b>		
Bouygues SA (A) .....	87,000	4,043,877
France Telecom (A) .....	290,000	8,324,090
Iliad SA (A) .....	119,595	6,627,022
Technip-Coflexip (A) .....	100,000	5,918,648
Total S.A. (A) .....	27,800	7,588,683
		<u>32,502,320</u>
<b>Germany – 13.29%</b>		
Allianz Aktiengesellschaft, Registered Shares (A) .....	26,000	3,512,725
cash.life AG (A) .....	5,504	221,630
Deutsche Post AG (A) .....	320,000	7,492,787
Deutsche Telekom AG, Registered Shares (A) .....	390,000	7,097,329
Hypo Real Estate Holding AG (A) .....	35,000	1,775,354
mobilcom Aktiengesellschaft (A) .....	190,000	4,378,045
Pfleiderer Ag, Registered Shares*(A) .....	490,000	9,382,451
Siemens AG (A) .....	73,000	5,628,906
		<u>39,489,227</u>
<b>Greece – 1.61%</b>		
Coca-Cola Hellenic Bottling Company S.A. (A) .....	165,000	<u>4,783,720</u>

See Notes to Schedule of Investments on page 88.

# The Investments of Ivy European Opportunities Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Hungary – 0.85%</b>		
MOL Magyar Olaj-es Gazipari Rt. (A) .....	7,778	\$ 860,020
National Savings and Commercial Bank Ltd. (A) .....	42,500	1,670,417
		<u>2,530,437</u>
<b>Italy – 7.47%</b>		
AZIMUT HOLDING S.p.A. (A) .....	567,000	4,586,724
ENEL S.p.A. (A) .....	1,226,792	10,572,910
Eni S.p.A. (A) .....	125,000	3,712,677
Geox S.p.A. (A)(B) .....	232,000	2,313,177
UniCredito Italiano S.p.A. (A) .....	180,000	1,014,728
		<u>22,200,216</u>
<b>Netherlands – 3.99%</b>		
Aalberts Industries N.V. (A) .....	74,000	3,918,159
Buhrmann NV (A) .....	110,000	1,328,811
Pyaterochka Holding N.V., GDR* .....	325,385	6,621,585
		<u>11,868,555</u>
<b>Norway – 3.21%</b>		
Statoil ASA (A) .....	385,000	<u>9,550,506</u>
<b>Spain – 6.50%</b>		
ACS Actividades de Construcción y		
Servicios, S.A. (A) .....	10,000	291,485
Altadis, S.A. (A) .....	165,000	7,391,759
Banco Santander Central Hispano, S.A. (A) .....	600,000	7,882,716
Cintra Concesiones de Infraestructuras de		
Transporte (A) .....	274,000	3,764,448
		<u>19,330,408</u>
<b>Sweden – 1.23%</b>		
Oriflame Cosmetics S.A., Swedish Depositary		
Receipts (A) .....	126,000	<u>3,665,626</u>
<b>Switzerland – 2.21%</b>		
Credit Suisse Group, Registered Shares (A) .....	100,000	4,426,761
Unaxis Holding AG, Registered Shares (A)* .....	16,089	2,129,207
		<u>6,555,968</u>

See Notes to Schedule of Investments on page 88.

# The Investments of Ivy European Opportunities Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>United Kingdom – 34.21%</b>		
Admiral Group Plc (A) . . . . .	650,000	\$ 4,872,221
BAA plc (A) . . . . .	325,000	3,576,784
Body Shop International PLC (The) (A) . . . . .	1,100,000	4,190,551
British American Tobacco p.l.c. (A) . . . . .	400,000	8,402,267
Center Parcs (UK) Group Plc (A) . . . . .	155,000	166,758
Enterprise Inns plc (A) . . . . .	160,000	2,377,468
Evolution Group Plc (The) (A) . . . . .	2,300,000	6,044,200
Halfords Group Plc (A) . . . . .	1,000,000	5,114,730
IP2IPO Group plc (A)* . . . . .	323,941	2,985,224
iSOFT Group plc (A) . . . . .	405,000	3,085,769
Imperial Tobacco Group PLC (A) . . . . .	70,000	2,004,974
Interserve Plc (A) . . . . .	333,000	2,099,641
Investec plc (A) . . . . .	108,000	4,114,359
Kensington Group plc (A) . . . . .	197,000	2,289,688
MFI Furniture Group Plc (A) . . . . .	1,715,525	3,290,418
Man Group plc (A) . . . . .	107,000	3,125,135
Millfield Group plc (A)* . . . . .	431,305	221,514
Old Mutual plc (A) . . . . .	1,500,000	3,670,701
Omega International Group PLC (A) . . . . .	270,000	752,394
Peninsular and Oriental Steam Navigation Company ( The) (A) . . . . .	1,000,000	5,890,758
Persimmon plc (A) . . . . .	100,000	1,513,255
Photo-Me International plc (A) . . . . .	600,000	1,232,826
Premier Brands Foods plc (A) . . . . .	1,016,000	5,496,712
Punch Taverns plc (A) . . . . .	318,368	4,492,045
Regal Petroleum plc (A)* . . . . .	900,461	1,487,884
Regal Petroleum plc (A)(B)* . . . . .	1,050,000	1,734,976
Shire Pharmaceuticals Group plc (A) . . . . .	150,000	1,824,107
Taylor Woodrow plc (A) . . . . .	325,000	1,858,609
tesco plc (A) . . . . .	1,700,000	9,279,708
Travis Perkins plc (A) . . . . .	180,000	4,501,668
		<b>101,697,344</b>
<b>TOTAL COMMON STOCKS – 95.23%</b>		<b>\$283,097,957</b>
(Cost: \$227,235,416)		

See Notes to Schedule of Investments on page 88.

# The Investments of Ivy European Opportunities Fund

September 30, 2005

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
<b>Security and Commodity Brokers</b>		
Greenwich Capital Holdings Inc. (Royal Bank of Scotland PLC (The)), 3.87%, 10-3-05 .....	\$8,487	\$ 8,485,176
UBS Finance Delaware LLC (UBS AG), 3.8%, 10-6-05 .....	5,000	4,997,361
<b>TOTAL SHORT-TERM SECURITIES – 4.54%</b>		<b>\$ 13,482,537</b>
(Cost: \$13,482,537)		
<b>TOTAL INVESTMENT SECURITIES – 99.77%</b>		<b>\$296,580,494</b>
(Cost: \$240,717,953)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.23%</b>		<b>692,034</b>
<b>NET ASSETS – 100.00%</b>		<b>\$297,272,528</b>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of these securities amounted to \$5,375,076 or 1.81% of net assets.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.



# Statement of Assets and Liabilities

## IVY EUROPEAN OPPORTUNITIES FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$240,718) (Notes 1 and 3) . . . . .	\$296,580
Receivables:	
Fund shares sold . . . . .	739
Dividends and interest . . . . .	556
Investment securities sold . . . . .	549
Prepaid and other assets . . . . .	41
Total assets . . . . .	<u>298,465</u>

### LIABILITIES

Due to custodian . . . . .	380
Payable to Fund shareholders . . . . .	322
Accrued management fee (Note 2) . . . . .	240
Accrued shareholder servicing (Note 2) . . . . .	102
Accrued service fee (Note 2) . . . . .	61
Accrued distribution fee (Note 2) . . . . .	54
Accrued accounting services fee (Note 2) . . . . .	6
Accrued administrative fee (Note 2) . . . . .	2
Other . . . . .	25
Total liabilities . . . . .	<u>1,192</u>
Total net assets . . . . .	<u>\$297,273</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$290,389
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income . . . . .	1,627
Accumulated undistributed net realized loss on investment transactions . . . . .	(50,595)
Net unrealized appreciation in value of investments . . . . .	55,852
Net assets applicable to outstanding units of capital . . . . .	<u>\$297,273</u>

### Net asset value per share (net assets divided by shares outstanding):

Class A . . . . .	\$29.43
Class B . . . . .	\$28.30
Class C . . . . .	\$28.40
Class Y . . . . .	\$29.47
Advisor Class . . . . .	\$29.74

### Capital shares outstanding:

Class A . . . . .	6,906
Class B . . . . .	1,407
Class C . . . . .	1,641
Class Y . . . . .	141
Advisor Class . . . . .	117

See Notes to Financial Statements.

# Statement of Operations

## IVY EUROPEAN OPPORTUNITIES FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$277) .....	\$ 3,795
Interest and amortization .....	437
Total income .....	<u>4,232</u>
Expenses (Note 2):	
Investment management fee .....	1,371
Shareholder servicing:	
Class A .....	329
Class B .....	66
Class C .....	66
Class Y .....	3
Advisor Class .....	2
Service fee:	
Class A .....	205
Class B .....	49
Class C .....	56
Class Y .....	5
Distribution fee:	
Class A .....	27
Class B .....	146
Class C .....	169
Custodian fees .....	46
Accounting services fee .....	35
Audit fees .....	21
Administrative fee .....	14
Legal fees .....	6
Other .....	77
Total expenses .....	<u>2,693</u>
Net investment income .....	<u>1,539</u>

### REALIZED AND UNREALIZED GAIN

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities .....	9,047
Realized net gain on foreign currency transactions .....	156
Realized net gain on investments .....	<u>9,203</u>
Unrealized appreciation in value of investments during the period .....	187
Net gain on investments .....	<u>9,390</u>
Net increase in net assets resulting from operations .....	<u>\$10,929</u>

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY EUROPEAN OPPORTUNITIES FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income (loss) . . . . .	\$ 1,539	\$ (527)
Realized net gain on investments . . . . .	9,203	12,332
Unrealized appreciation. . . . .	187	29,175
Net increase in net assets resulting from operations . . . . .	10,929	40,980
Distributions to shareholders from (Note 1F): <sup>(1)</sup>		
Net investment income:		
Class A . . . . .	(—)	(64)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(6)
Advisor Class . . . . .	(—)	(21)
Realized gains on investment transactions:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Advisor Class . . . . .	(—)	(—)
	(—)	(91)
Capital share transactions (Note 5) . . . . .	23,456	75,762
Total increase . . . . .	34,385	116,651
<b>NET ASSETS</b>		
Beginning of period. . . . .	262,888	146,237
End of period. . . . .	\$297,273	\$262,888
Undistributed net investment income (loss) . . . . .	\$ 1,627	\$ (68)

(1) See "Financial Highlights" on pages 92 - 96.

See Notes to Financial Statements.

# Financial Highlights

## IVY EUROPEAN OPPORTUNITIES FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
	2003	2002	2001	2000			
Net asset value, beginning of period . .	\$28.31	\$22.30	\$19.89	\$13.20	\$ 13.65	\$17.25	\$17.13
Income (loss) from investment operations:							
Net investment income (loss) . . . .	0.17	(0.03)	(0.03)	0.02	0.01 <sup>(1)</sup>	(0.08)	(0.07)
Net realized and unrealized gain (loss) on investments . . . . .	0.95	6.05	2.44	6.71	(0.46) <sup>(2)</sup>	(3.49) <sup>(2)</sup>	0.82
Total from investment operations . . . . .	1.12	6.02	2.41	6.73	(0.45)	(3.57)	0.75
Less distributions from:							
Net investment income . . . . .	(0.00)	(0.01)	(0.00)	(0.04)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)	(0.63)
Total distributions . . . . .	(0.00)	(0.01)	(0.00)	(0.04)	(0.00)	(0.03)	(0.63)
Net asset value, end of period . . . . .	\$29.43	\$28.31	\$22.30	\$19.89	\$ 13.20	\$13.65	\$17.25
Total return <sup>(3)</sup> . . . . .	3.96%	27.02%	12.12%	51.02%	-3.30% <sup>(2)</sup>	-20.67% <sup>(2)</sup>	4.51%
Net assets, end of period (in millions) . . . . .	\$203	\$170	\$79	\$38	\$20	\$31	\$55
Ratio of expenses to average net assets including reimbursement . . . . .	1.73% <sup>(4)</sup>	1.79%	1.72% <sup>(4)</sup>	2.26%	2.15%	2.15%	1.83%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	1.30% <sup>(4)</sup>	-0.07%	-0.61% <sup>(4)</sup>	0.18%	0.06%	-0.44%	-0.36%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	2.15%	2.17%	NA
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	0.06%	-0.46%	NA
Portfolio turnover rate . . .	30%	63%	31%	123%	69%	66%	46%

(1)Based on average shares outstanding.

(2)Includes redemption fees added to capital.

(3)Total return calculated without taking into account the sales load deducted on an initial purchase.

(4)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY EUROPEAN OPPORTUNITIES FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period . . .	\$27.32	\$21.66	\$19.36	\$12.93	\$13.54	\$17.26	\$17.13
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.08	(0.17)	(0.09)	(0.07)	(0.10) <sup>(1)</sup>	(0.20)	(0.18)
Net realized and unrealized gain (loss) on investments . . . . .	0.90	5.83	2.39	6.50	(0.51)	(3.49)	0.83
Total from investment operations . . . . .	0.98	5.66	2.30	6.43	(0.61)	(3.69)	0.65
Less distributions from:							
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)	(0.52)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)	(0.52)
Net asset value, end of period . . . . .	\$28.30	\$27.32	\$21.66	\$19.36	\$12.93	\$13.54	\$17.26
Total return . . . . .	3.59%	26.13%	11.88%	49.73%	-4.51%	-21.35%	4.12%
Net assets, end of period (in millions) . . . . .	\$40	\$40	\$32	\$29	\$25	\$34	\$57
Ratio of expenses to average net assets including reimbursement . . . . .	2.49% <sup>(2)</sup>	2.53%	2.58% <sup>(2)</sup>	3.00%	2.92%	2.89%	2.59%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.62% <sup>(2)</sup>	-0.73%	-1.57% <sup>(2)</sup>	-0.47%	-0.70%	-1.18%	-1.12%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	2.92%	2.91%	NA
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	-0.70%	-1.20%	NA
Portfolio turnover rate . . . .	30%	63%	31%	123%	69%	66%	46%

(1)Based on average shares outstanding.

(2)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY EUROPEAN OPPORTUNITIES FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period . . .	\$27.42	\$21.74	\$19.43	\$12.98	\$13.59	\$17.32	\$17.13
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.09	(0.14)	(0.08)	(0.07)	(0.10) <sup>(1)</sup>	(0.22)	(0.22)
Net realized and unrealized gain (loss) on investments . . . . .	0.89	5.82	2.39	6.52	(0.51)	(3.48)	0.88
Total from investment operations . . . . .	0.98	5.68	2.31	6.45	(0.61)	(3.70)	0.66
Less distributions from:							
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)	(0.47)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)	(0.47)
Net asset value, end of period . . . . .	\$28.40	\$27.42	\$21.74	\$19.43	\$12.98	\$13.59	\$17.32
Total return . . . . .	3.58%	26.13%	11.89%	49.69%	-4.49%	-21.32%	3.98%
Net assets, end of period (in millions) . . . . .	\$47	\$45	\$27	\$23	\$19	\$25	\$50
Ratio of expenses to average net assets excluding reimbursement . . . . .	2.43% <sup>(2)</sup>	2.51%	2.56% <sup>(2)</sup>	2.98%	2.92%	2.91%	2.58%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.66% <sup>(2)</sup>	-0.79%	-1.54% <sup>(2)</sup>	-0.43%	-0.70%	-1.20%	-1.11%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	2.92%	2.93%	NA
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	-0.70%	-1.22%	NA
Portfolio turnover rate . . . .	30%	63%	31%	123%	69%	66%	46%

(1)Based on average shares outstanding.

(2)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY EUROPEAN OPPORTUNITIES FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the period from 7-24-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$28.33	\$22.30	\$19.89	\$14.88
Income (loss) from investment operations:				
Net investment income (loss) . . . . .	0.21	0.09	(0.02)	(0.04)
Net realized and unrealized gain on investments. . . . .	0.93	6.00	2.43	5.12
Total from investment operations . . . . .	1.14	6.09	2.41	5.08
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.06)	(0.00)	(0.07)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.06)	(0.00)	(0.07)
Net asset value, end of period . . . . .	\$29.47	\$28.33	\$22.30	\$19.89
Total return . . . . .	4.02%	27.32%	12.12%	34.14%
Net assets, end of period (in millions) . . . . .	\$4	\$4	\$4	\$3
Ratio of expenses to average net assets . . . . .	1.54% <sup>(2)</sup>	1.61%	1.75% <sup>(2)</sup>	1.51% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets . . . . .	1.47% <sup>(2)</sup>	0.53%	-0.71% <sup>(2)</sup>	-0.58% <sup>(2)</sup>
Portfolio turnover rate . . . . .	30%	63%	31%	123% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the 12 months ended December 31, 2003.

See Notes to Financial Statements.

# Financial Highlights

## IVY EUROPEAN OPPORTUNITIES FUND

Advisor Class Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period . . . .	\$28.55	\$22.48	\$20.03	\$13.34	\$13.80	\$17.39	\$17.23
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.42	0.21	(0.01)	0.24	0.06 <sup>(2)</sup>	(0.02)	(0.02)
Net realized and unrealized gain (loss) on investments . . . . .	0.77	5.99	2.46	6.58	(0.52)	(3.54)	0.85
Total from investment operations . . . . .	1.19	6.20	2.45	6.82	(0.46)	(3.56)	0.83
Less distributions from:							
Net investment income . .	(0.00)	(0.13)	(0.00)	(0.13)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)	(0.67)
Total distributions . . . . .	(0.00)	(0.13)	(0.00)	(0.13)	(0.00)	(0.03)	(0.67)
Net asset value, end of period . . . . .	\$29.74	\$28.55	\$22.48	\$20.03	\$13.34	\$13.80	\$17.39
Total return . . . . .	4.17%	27.64%	12.23%	51.12%	-3.33%	-20.44%	5.01%
Net assets, end of period (in millions) . . . . .	\$3	\$4	\$4	\$4	\$6	\$9	\$19
Ratio of expenses to average net assets including reimbursement . . . . .	1.24% <sup>(3)</sup>	1.36%	1.41% <sup>(3)</sup>	1.96%	1.81%	1.72%	1.55%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	1.96% <sup>(3)</sup>	0.51%	-0.41% <sup>(3)</sup>	1.02%	0.40%	0.00%	-0.09%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	1.81%	1.74%	NA
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	0.40%	-0.02%	NA
Portfolio turnover rate . . . . .	30%	63%	31%	123%	69%	66%	46%

(1) See Note 5 to financial statements.

(2) Based on average shares outstanding.

(3) Annualized.

See Notes to Financial Statements.



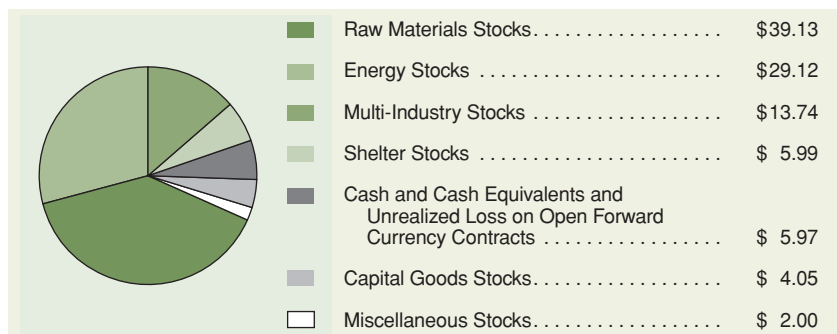
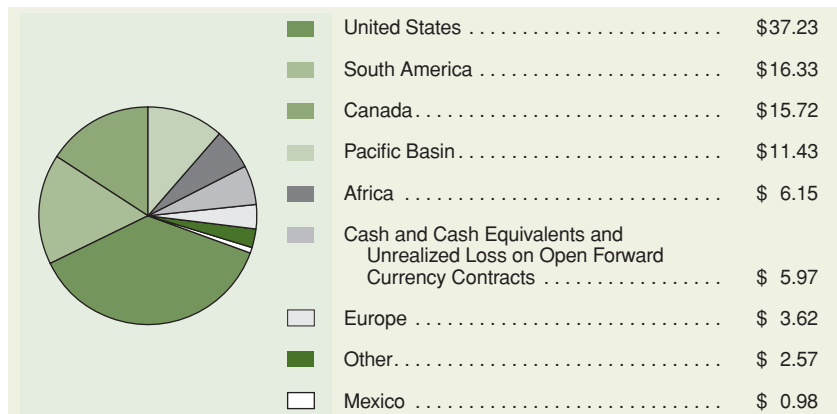
## SHAREHOLDER SUMMARY OF IVY GLOBAL NATURAL RESOURCES FUND

### Portfolio Highlights

On September 30, 2005, Ivy Global Natural Resources Fund had net assets totaling \$2,127,117,536 invested in a diversified portfolio of:

94.03%	Common Stocks and Warrants
5.97%	Cash and Cash Equivalents and Unrealized Loss on Open Forward Currency Contracts

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund was invested by geographic region and by industry, respectively, as follows:



# The Investments of Ivy Global Natural Resources Fund

September 30, 2005

COMMON STOCKS AND WARRANT	Shares	Value
<b>Australia – 0.06%</b>		
Central Asia Gold Limited (A)* .....	2,710,964	\$ 1,348,966
<b>Bermuda – 2.49%</b>		
China Gas Holdings Limited (A)* .....	145,001,000	22,617,270
Golar LNG Limited* .....	1,100,000	14,195,500
Tsakos Energy Navigation Limited .....	450,000	16,209,000
		<b>53,021,770</b>
<b>Brazil – 13.64%</b>		
Aracruz Celulose S.A., ADR .....	1,215,000	49,304,700
Caemi Mineracao e Metalurgia S.A. (A) .....	20,000,000	31,566,676
Companhia Siderurgica Nacional, ADR .....	950,000	22,059,000
Companhia Vale do Rio Doce, ADR .....	1,550,000	67,983,000
Petroleo Brasileiro S.A. – Petrobras, ADR .....	575,000	41,106,750
Suzano Bahia Sul Papel E Celulose S.A. (A) .....	10,525,000	59,227,311
Votorantim Celulose e Papel S.A., ADR .....	1,400,000	18,760,000
		<b>290,007,437</b>
<b>Canada – 15.72%</b>		
Barrick Gold Corporation (A) .....	1,025,000	29,708,867
Cambior Inc. (A)* .....	13,881,900	29,370,839
Cambior Inc., Warrants (A)* .....	350,000	39,133
Eldorado Gold Corporation (A)* .....	1,765,700	6,241,530
Ferus Gas Industries Trust (A)(B)* .....	615,000	1,322,353
Glamis Gold Ltd. (A)* .....	1,507,200	33,055,474
Goldcorp Inc. (A) .....	711,900	14,266,165
Guinor Gold Corporation (A)* .....	6,308,575	7,487,601
Guinor Gold Corporation (A)(B)* .....	12,963,700	15,386,519
Hydrogenics Corporation (A)* .....	1,650,000	6,456,954
IAMGOLD Corporation (A) .....	2,400,000	17,607,293
IAMGOLD Corporation (A)(B) .....	125,000	917,047
Inco Limited (A) .....	425,000	20,100,413
Kinross Gold Corporation (A)* .....	4,500,000	34,561,796
Placer Dome Inc. (A) .....	2,300,000	39,345,489
Pure Energy Services Ltd. (A)(B)* .....	423,000	3,274,275
Savanna Energy Services Corp. (A)* .....	600,000	14,175,626
Trican Well Service Ltd. (A)* .....	500,000	18,194,719
Western Oil Sands Inc., Class A (A)* .....	990,600	23,472,117
ZENON Environmental Inc. (A)* .....	600,000	12,570,740
zed.i solutions inc. (A)* .....	4,000,000	5,160,403
zed.i solutions inc. (A)(B)* .....	1,300,000	1,677,131
		<b>334,392,484</b>

See Notes to Schedule of Investments on page 102.

# The Investments of Ivy Global Natural Resources Fund

September 30, 2005

COMMON STOCKS AND WARRANT (Continued)	Shares	Value
<b>Cayman Islands – 0.08%</b>		
Apex Silver Mines Limited* . . . . .	108,600	<u>\$ 1,706,106</u>
<b>China – 7.35%</b>		
Aluminum Corporation of China Limited, ADR . . . . .	350,000	21,969,500
Aluminum Corporation of China Limited, H Shares (A) . . . . .	22,662,000	14,314,564
China Petroleum and Chemical Corporation, Class H (A) . . . . .	48,000,000	21,966,123
China Petroleum & Chemical Corporation, ADR . . . . .	400,000	18,104,000
China Shenhua Energy Company Limited, H shares (A)* . . . . .	10,689,000	12,538,982
China Shenhua Energy Company Limited, H shares (A)(B)* . . . . .	9,311,000	10,922,487
Sino-Forest Corporation, Class A (A)* . . . . .	5,600,000	16,231,186
Sinopec Zhenhai Refining & Chemical Company Limited, H Shares (A) . . . . .	25,000,000	27,393,199
Yanzhou Coal Mining Company Limited, Class H (A) . . . . .	16,300,000	12,922,500
		<u>156,362,541</u>
<b>Mexico – 0.98%</b>		
Cemex, S.A. de C.V., ADR . . . . .	400,000	<u>20,920,000</u>
<b>Peru – 2.69%</b>		
Compania de Minas Buenaventura S.A.A., ADR . . . . .	1,845,000	<u>57,287,250</u>
<b>Russia – 0.81%</b>		
OAOLUKOIL, ADR . . . . .	300,000	<u>17,310,000</u>
<b>South Africa – 6.15%</b>		
AngloGold Ashanti Limited, ADR . . . . .	875,000	37,126,250
Gold Fields Limited, ADR . . . . .	1,750,000	25,427,500
Impala Platinum Holdings Limited (A) . . . . .	425,000	48,299,250
Mvelaphanda Resources Limited (A)* . . . . .	6,500,000	19,872,208
		<u>130,725,208</u>
<b>South Korea – 1.10%</b>		
S-Oil Corporation (A) . . . . .	285,000	<u>23,376,343</u>
<b>Thailand – 2.92%</b>		
Thai Oil Public Company Limited (A) . . . . .	34,000,000	<u>62,089,116</u>

See Notes to Schedule of Investments on page 102.

# The Investments of Ivy Global Natural Resources Fund

September 30, 2005

COMMON STOCKS AND WARRANT (Continued)	Shares	Value
<b>United Kingdom – 2.81%</b>		
Highland Gold Mining Limited (A) . . . . .	3,812,200	\$ 14,814,057
Randgold Resources Limited, ADR* . . . . .	2,050,000	32,072,250
Titanium Resources Group Ltd. (A)* . . . . .	13,057,059	12,838,520
		<b>59,724,827</b>
<b>United States – 37.23%</b>		
Air Products and Chemicals, Inc. . . . .	600,000	33,084,000
Airgas, Inc. . . . .	400,000	11,852,000
Arch Coal, Inc. . . . .	600,000	40,500,000
Atwood Oceanics, Inc.* . . . . .	400,000	33,684,000
Bunge Limited . . . . .	300,000	15,786,000
Century Aluminum Company* . . . . .	1,200,000	26,952,000
ChevronTexaco Corporation . . . . .	1,150,000	74,439,500
Compass Minerals International, Inc. . . . .	500,000	11,500,000
du Pont (E.I.) de Nemours and Company . . . . .	800,000	31,336,000
Exxon Mobil Corporation . . . . .	650,000	41,301,000
Huntsman Corporation* . . . . .	1,800,000	35,190,000
KFx Inc.* . . . . .	531,300	9,095,856
Lubrizol Corporation (The) . . . . .	250,000	10,832,500
Massey Energy Company . . . . .	900,000	45,963,000
Maverick Tube Corporation* . . . . .	600,000	18,000,000
Nalco Holdings LLC* . . . . .	3,500,000	59,045,000
Newmont Mining Corporation . . . . .	810,000	38,207,700
Offshore Logistics, Inc.* . . . . .	650,000	24,050,000
Patterson-UTI Energy, Inc. . . . .	800,000	28,836,000
Peabody Energy Corporation. . . . .	500,000	42,175,000
Praxair, Inc. . . . .	750,000	35,947,500
Rohm and Haas Company. . . . .	875,000	35,988,750
Sigma-Aldrich Corporation. . . . .	131,250	8,407,219
streetTRACKS Gold Trust* . . . . .	200,000	9,344,000
Transocean Inc.* . . . . .	900,000	55,179,000
Valero Energy Corporation. . . . .	134,000	15,150,040
		<b>791,846,065</b>
<b>TOTAL COMMON STOCKS AND WARRANT – 94.03%</b>		<b>\$2,000,118,113</b>
(Cost: \$1,619,834,593)		

See Notes to Schedule of Investments on page 102.

# The Investments of Ivy Global Natural Resources Fund

September 30, 2005

<b>UNREALIZED GAIN (LOSS) ON OPEN FORWARD CURRENCY CONTRACTS – (0.51%)</b>	<b>Face Amount in Thousands</b>	<b>Value</b>
Canadian Dollar, 10–19–05 (C) . . . . .	CAD117,500	\$ (4,723,359)
Canadian Dollar, 11–23–05 (C) . . . . .	113,000	(2,890,160)
Canadian Dollar, 12–7–05 (C) . . . . .	127,250	(2,245,271)
South African Rand, 10–19–05 (C) . . . . .	ZAR96,000	(788,888)
South African Rand, 11–23–05 (C) . . . . .	88,400	(284,183)
South African Rand, 12–7–05 (C) . . . . .	117,810	131,629
South African Rand, 12–21–05 (C) . . . . .	113,300	(70,605)
		<b>\$ (10,870,837)</b>

<b>SHORT-TERM SECURITIES</b>	<b>Principal Amount in Thousands</b>
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## Certificate of Deposit – 0.47%

### Banks

Wells Fargo Bank, N.A., 3.74%, 10–18–05 . . . . .	\$10,000	<b>10,000,000</b>
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## Commercial Paper

### Banks – 0.70%

Rabobank USA Financial Corp. (Rabobank Nederland), 3.73%, 10–6–05 . . . . .	15,000	<b>14,992,229</b>
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### Finance Companies – 1.60%

BP Capital Markets p.l.c., 3.88%, 10–3–05 . . . . .	15,000	14,996,767
PACCAR Financial Corp., 3.72%, 10–11–05 . . . . .	10,000	9,989,667
Sony Capital Corp., 3.8%, 10–21–05 . . . . .	9,000	8,981,000
		<b>33,967,434</b>

### Health Care – General – 0.46%

ACTS Retirement – Life Communities, Inc., Variable Rate Demand Bonds, Series 2003A (Bank of America, N.A.), 3.82%, 10–6–05 . . . . .	9,845	<b>9,845,000</b>
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See Notes to Schedule of Investments on page 102.

# The Investments of Ivy Global Natural Resources Fund

September 30, 2005

SHORT-TERM SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Commercial Paper (Continued)</b>		
<b>Security and Commodity Brokers – 2.86%</b>		
Greenwich Capital Holdings Inc.		
(Royal Bank of Scotland PLC (The)),		
3.87%, 10–3–05 .....	\$36,535	\$ 36,527,145
UBS Finance Delaware LLC,		
3.74%, 10–5–05 .....	10,000	9,995,844
UBS Finance Delaware LLC (UBS AG):		
3.75%, 10–17–05 .....	4,400	4,392,667
3.74%, 10–4–05 .....	10,000	9,996,883
		<u>60,912,539</u>
<b>Total Commercial Paper – 5.62%</b>		<b>119,717,202</b>
<b>Municipal Obligation – Taxable – 0.13%</b>		
<b>Kansas</b>		
City of Park City, Kansas, Taxable Industrial Revenue		
Bonds (The Hayes Company, Inc.), Series 2001		
(U.S. Bank, National Association),		
3.93%, 10–3–05 .....	2,700	<u>2,700,000</u>
<b>TOTAL SHORT-TERM SECURITIES – 6.22%</b>		<b>\$ 132,417,202</b>
(Cost: \$132,417,202)		
<b>TOTAL INVESTMENT SECURITIES – 99.74%</b>		<b>\$2,121,664,478</b>
(Cost: \$1,752,251,795)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.26%</b>		<b>5,453,058</b>
<b>NET ASSETS – 100.00%</b>		<b>\$2,127,117,536</b>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of these securities amounted to \$33,499,812 or 1.57% of net assets.

(C) Principal amounts are denominated in the indicated foreign currency, were applicable (CAD – Canadian Dollar, ZAR – South African Rand).

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY GLOBAL NATURAL RESOURCES FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$1,752,252) (Notes 1 and 3) . . .	\$2,121,664
Receivables:	
Fund shares sold . . . . .	18,586
Investment securities sold . . . . .	6,425
Dividends and interest . . . . .	1,582
Prepaid and other assets . . . . .	71
Total assets . . . . .	<u>2,148,328</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	15,770
Payable to Fund shareholders . . . . .	1,555
Accrued management fee (Note 2) . . . . .	1,435
Due to custodian . . . . .	1,067
Accrued service fee (Note 2) . . . . .	409
Accrued shareholder servicing (Note 2) . . . . .	397
Accrued distribution fee (Note 2) . . . . .	386
Accrued accounting services fee (Note 2) . . . . .	14
Accrued administrative fee (Note 2) . . . . .	8
Other . . . . .	169
Total liabilities . . . . .	<u>21,210</u>
Total net assets . . . . .	<u>\$2,127,118</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$1,613,600
Accumulated undistributed income:	
Accumulated undistributed net investment income . . . . .	3,300
Accumulated undistributed net realized gain on investment transactions . . . . .	140,815
Net unrealized appreciation in value of investments . . . . .	369,403
Net assets applicable to outstanding units of capital . . . . .	<u>\$2,127,118</u>

### Net asset value per share (net assets divided by shares outstanding):

Class A . . . . .	\$26.79
Class B . . . . .	\$25.57
Class C . . . . .	\$25.12
Class Y . . . . .	\$26.88
Advisor Class . . . . .	\$26.57

### Capital shares outstanding:

Class A . . . . .	52,259
Class B . . . . .	6,307
Class C . . . . .	20,267
Class Y . . . . .	2,100
Advisor Class . . . . .	14

See Notes to Financial Statements.

# Statement of Operations

## IVY GLOBAL NATURAL RESOURCES FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$690) .....	\$ 16,371
Interest and amortization .....	1,081
Total income .....	<u>17,452</u>
Expenses (Note 2):	
Investment management fee .....	7,204
Service fee:	
Class A .....	1,268
Class B .....	159
Class C .....	483
Class Y .....	44
Distribution fee:	
Class A .....	72
Class B .....	477
Class C .....	1,448
Shareholder servicing:	
Class A .....	1,158
Class B .....	188
Class C .....	409
Class Y .....	28
Advisor Class .....	1
Custodian fees .....	188
Accounting services fee .....	82
Administrative fee .....	50
Audit fees .....	23
Legal fees .....	14
Other .....	401
Total .....	<u>13,697</u>
Less expenses in excess of voluntary limit (Note 2) .....	(32)
Total expenses .....	<u>13,665</u>
Net investment income .....	<u>3,787</u>

### REALIZED AND UNREALIZED GAIN

#### (LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities .....	59,538
Realized net gain on foreign currency transactions .....	405
Realized net gain on investments .....	<u>59,943</u>
Unrealized appreciation in value of securities during the period .....	255,632
Unrealized depreciation in value of forward currency contracts during the period .....	(6,495)
Unrealized appreciation in value of investments during the period .....	<u>249,137</u>
Net gain on investments .....	<u>309,080</u>
Net increase in net assets resulting from operations .....	<u>\$312,867</u>

See Notes to Financial Statements.



# Statement of Changes in Net Assets

## IVY GLOBAL NATURAL RESOURCES FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income (loss) .....	\$ 3,787	\$ (4,973)
Realized net gain on investments .....	59,943	91,084
Unrealized appreciation .....	249,137	83,974
Net increase in net assets		
resulting from operations .....	312,867	170,085
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A .....	(—)	(101)
Class B .....	(—)	(—)
Class C .....	(—)	(—)
Class Y .....	(—)	(41)
Advisor Class .....	(—)	(1)
Realized gains on investment transactions:		
Class A .....	(—)	(—)
Class B .....	(—)	(—)
Class C .....	(—)	(—)
Class Y .....	(—)	(—)
Advisor Class .....	(—)	(—)
	(—)	(143)
Capital share transactions (Note 5) .....	475,169	878,997
Total increase .....	788,036	1,048,939
<b>NET ASSETS</b>		
Beginning of period .....	1,339,082	290,143
End of period .....	\$2,127,118	\$1,339,082
Undistributed net investment income (loss) ....	\$ 3,300	\$ (892)

(1) See "Financial Highlights" on pages 106 - 110.

# Financial Highlights

## IVY GLOBAL NATURAL RESOURCES FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period . . . .	\$22.65	\$17.63	\$16.69	\$11.50	\$11.05	\$ 9.74	\$8.91
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.07	(0.04)	0.03	0.10	(0.11) <sup>(1)</sup>	0.04 <sup>(1)</sup>	(0.07)
Net realized and unrealized gain on investments . . . . .	4.07	5.06	0.91	5.14	0.63 <sup>(2)</sup>	1.45	0.95
Total from investment operations . . . . .	4.14	5.02	0.94	5.24	0.52	1.49	0.88
Less distributions from:							
Net investment income . .	(0.00)	(0.00)*	(0.00)	(0.05)	(0.00)	(0.18)	(0.05)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.07)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)*	(0.00)	(0.05)	(0.07)	(0.18)	(0.05)
Net asset value, end of period . . . . .	\$26.79	\$22.65	\$17.63	\$16.69	\$11.50	\$11.05	\$9.74
Total return <sup>(3)</sup> . . . . .	18.28%	28.50%	5.63%	45.61%	4.66% <sup>(2)</sup>	15.40%	9.86%
Net assets, end of period (in millions) . . . . .	\$1,400	\$895	\$192	\$95	\$17	\$8	\$6
Ratio of expenses to average net assets including reimbursement . . . . .	1.45% <sup>(4)</sup>	1.55%	1.65% <sup>(4)</sup>	1.89%	2.22%	2.25%	2.29%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.71% <sup>(4)</sup>	-0.52%	-0.80% <sup>(4)</sup>	-0.66%	-0.91%	0.38%	-0.69%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	2.38%	3.71%	4.54%
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	-1.07%	-1.08%	-2.94%
Portfolio turnover rate . . . .	53%	110%	29%	58%	67%	169%	134%

\*Not shown due to rounding.

(1)Based on average shares outstanding.

(2)Includes redemption fees added to capital.

(3)Total return calculated without taking into account the sales load deducted on an initial purchase.

(4)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY GLOBAL NATURAL RESOURCES FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period . . . .	\$21.72	\$17.04	\$16.16	\$11.19	\$10.81	\$ 9.56	\$8.77
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.02	(0.04)	(0.01)	(0.06)	(0.19) <sup>(1)</sup>	(0.02) <sup>(1)</sup>	(0.09)
Net realized and unrealized gain on investments . . . . .	3.83	4.72	0.89	5.03	0.57	1.42	0.90
Total from investment operations . . . . .	3.85	4.68	0.88	4.97	0.38	1.40	0.81
Less distributions from:							
Net investment income . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.15)	(0.02)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.15)	(0.02)
Net asset value, end of period . . . . .	\$25.57	\$21.72	\$17.04	\$16.16	\$11.19	\$10.81	\$9.56
Total return . . . . .	17.73%	27.46%	5.45%	44.42%	3.52%	14.73%	9.27%
Net assets, end of period (in millions) . . . . .	\$161	\$110	\$30	\$21	\$9	\$5	\$3
Ratio of expenses to average net assets including reimbursement . . . . .	2.28% <sup>(2)</sup>	2.39%	2.42% <sup>(2)</sup>	2.90%	2.93%	2.87%	2.80%
Ratio of net investment loss to average net assets including reimbursement . . . . .	-0.10% <sup>(2)</sup>	-1.35%	-1.59% <sup>(2)</sup>	-1.54%	-1.62%	-0.24%	-1.20%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	3.09%	4.33%	5.05%
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	-1.78%	-1.70%	-3.45%
Portfolio turnover rate . . . .	53%	110%	29%	58%	67%	169%	134%

(1)Based on average shares outstanding.

(2)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY GLOBAL NATURAL RESOURCES FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period . . . .	\$21.32	\$16.72	\$15.86	\$10.97	\$10.61	\$ 9.40	\$8.63
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.01	(0.09)	0.00	0.04	(0.18) <sup>(1)</sup>	(0.02) <sup>(1)</sup>	(0.07)
Net realized and unrealized gain on investments . . . . .	3.79	4.69	0.86	4.85	0.55	1.39	0.89
Total from investment operations . . . . .	3.80	4.60	0.86	4.89	0.37	1.37	0.82
Less distributions from:							
Net investment income . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.16)	(0.05)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.16)	(0.05)
Net asset value, end of period . . . . .	\$25.12	\$21.32	\$16.72	\$15.86	\$10.97	\$10.61	\$9.40
Total return . . . . .	17.82%	27.51%	5.42%	44.58%	3.46%	14.62%	9.49%
Net assets, end of period (in millions) . . . . .	\$509	\$312	\$64	\$34	\$5	\$2	\$1
Ratio of expenses to average net assets including reimbursement . . . . .	2.19% <sup>(2)</sup>	2.31%	2.38% <sup>(2)</sup>	2.65%	2.94%	2.86%	2.70%
Ratio of net investment loss to average net assets including reimbursement . . . . .	-0.04% <sup>(2)</sup>	-1.28%	-1.54% <sup>(2)</sup>	-1.48%	-1.64%	-0.23%	-1.10%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	3.10%	4.32%	4.95%
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	-1.80%	-1.69%	-3.35%
Portfolio turnover rate . . . .	53%	110%	29%	58%	67%	169%	134%

(1)Based on average shares outstanding.

(2)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY GLOBAL NATURAL RESOURCES FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the period from 7-24-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period .....	\$22.70	\$17.66	\$16.70	\$12.60
Income (loss) from investment operations:				
Net investment income (loss) .....	0.09 <sup>(2)</sup>	(0.02)	0.01	0.00
Net realized and unrealized gain on investments .....	4.09 <sup>(2)</sup>	5.13	0.95	4.16
Total from investment operations ...	4.18	5.11	0.96	4.16
Less distributions from:				
Net investment income .....	(0.00)	(0.07)	(0.00)	(0.06)
Capital gains .....	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions .....	(0.00)	(0.07)	(0.00)	(0.06)
Net asset value, end of period .....	<u>\$26.88</u>	<u>\$22.70</u>	<u>\$17.66</u>	<u>\$16.70</u>
Total return .....	18.41%	28.98%	5.75%	33.03%
Net assets, end of period (in millions) .....	\$57	\$21	\$4	\$1
Ratio of expenses to average net assets including reimbursement .....	1.20% <sup>(3)</sup>	1.20%	1.20% <sup>(3)</sup>	1.39% <sup>(3)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement .....	0.75% <sup>(3)</sup>	-0.19%	-0.35% <sup>(3)</sup>	-0.54% <sup>(3)</sup>
Ratio of expenses to average net assets excluding reimbursement .....	1.38% <sup>(3)</sup>	1.48%	1.63% <sup>(3)</sup>	NA
Ratio of net investment income (loss) to average net assets excluding reimbursement .....	0.57% <sup>(3)</sup>	-0.47%	-0.79% <sup>(3)</sup>	NA
Portfolio turnover rate .....	53%	110%	29%	58% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the 12 months ended December 31, 2003.

See Notes to Financial Statements.

# Financial Highlights

## IVY GLOBAL NATURAL RESOURCES FUND

Advisor Class Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period . . . .	\$22.45	\$17.47	\$16.54	\$11.43	\$11.02	\$ 9.74	\$8.90
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.04	(0.14)	(0.03)	(0.58)	(0.07)	0.09 <sup>(2)</sup>	(0.05)
Net realized and unrealized gain on investments . . . . .	4.08	5.14	0.96	5.78	0.56	1.43	0.95
Total from investment operations. . . . .	4.12	5.00	0.93	5.20	0.49	1.52	0.90
Less distributions from:							
Net investment income . .	(0.00)	(0.02)	(0.00)	(0.09)	(0.00)	(0.24)	(0.06)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.08)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.02)	(0.00)	(0.09)	(0.08)	(0.24)	(0.06)
Net asset value, end of period . . . . .	\$26.57	\$22.45	\$17.47	\$16.54	\$11.43	\$11.02	\$9.74
Total return . . . . .	18.35%	28.63%	5.62%	45.55%	4.46%	15.71%	10.17%
Net assets, end of period (in thousands) . . . . .	\$373	\$476	\$512	\$484	\$570	\$465	\$22
Ratio of expenses to average net assets including reimbursement . . . . .	1.31% <sup>(3)</sup>	1.47%	1.57% <sup>(3)</sup>	2.19%	1.82%	1.78%	2.02%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	1.06% <sup>(3)</sup>	-0.36%	-0.74% <sup>(3)</sup>	-0.41%	-0.51%	0.85%	-0.42%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	1.98%	3.24%	4.27%
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	-0.67%	-0.61%	-2.67%
Portfolio turnover rate . . . .	53%	110%	29%	58%	67%	169%	134%

(1) See Note 5 to financial statements.

(2) Based on average shares outstanding.

(3) Annualized.

See Notes to Financial Statements.

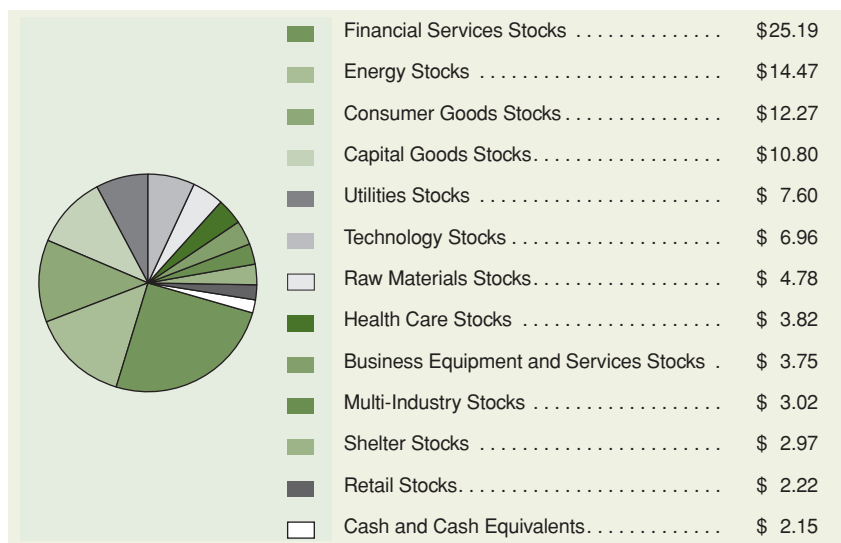
## SHAREHOLDER SUMMARY OF IVY INTERNATIONAL FUND

### Portfolio Highlights

On September 30, 2005, Ivy International Fund had net assets totaling \$149,781,343 invested in a diversified portfolio of:

97.85%	Common Stocks
2.15%	Cash and Cash Equivalents

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund was invested by geographic region and by industry, respectively, as follows:



# The Investments of Ivy International Fund

September 30, 2005

COMMON STOCKS	Shares	Value
<b>Australia – 1.15%</b>		
Westpac Banking Corporation (A) . . . . .	107,000	\$ <u>1,721,722</u>
<b>Austria – 6.74%</b>		
Bank Austria Creditanstalt (A) . . . . .	20,000	2,235,480
OMV Aktiengesellschaft (A) . . . . .	100,000	5,939,082
Raiffeisen International Bank-Holding AG (A)* . . . . .	28,700	1,916,331
		<u>10,090,893</u>
<b>Belgium – 0.44%</b>		
KBC Group NV (A) . . . . .	8,150	<u>660,271</u>
<b>Canada – 3.02%</b>		
EnCana Corporation (A) . . . . .	57,300	3,343,773
Shoppers Drug Mart Corporation (A)(B) . . . . .	33,350	1,178,881
		<u>4,522,654</u>
<b>Finland – 0.57%</b>		
Nokia OYJ (A) . . . . .	51,000	<u>854,550</u>
<b>France – 7.35%</b>		
France Telecom (A) . . . . .	55,050	1,580,142
Sanofi-Aventis (A) . . . . .	22,400	1,851,080
Total S.A. (A) . . . . .	17,000	4,640,561
VINCI (A) . . . . .	34,200	2,945,417
		<u>11,017,200</u>
<b>Germany – 8.43%</b>		
Allianz Aktiengesellschaft, Registered Shares (A) . . . . .	10,000	1,351,048
BASF Aktiengesellschaft (A) . . . . .	24,200	1,820,934
Bayerische Hypo- und Vereinsbank AG (A)* . . . . .	86,000	2,418,905
Commerzbank Aktiengesellschaft (A) . . . . .	40,000	1,095,262
Continental Aktiengesellschaft (A) . . . . .	12,400	1,017,700
Deutsche Telekom AG, Registered Shares (A) . . . . .	40,000	727,931
Fresenius AG (A) . . . . .	5,430	752,221
PUMA Aktiengesellschaft Rudolf Dassler Sport (A) . . . . .	3,050	825,092
Siemens AG (A) . . . . .	34,000	2,621,682
		<u>12,630,775</u>
<b>Ireland – 4.23%</b>		
Anglo Irish Bank Corporation plc (Great Britain) (A) . . . . .	280,000	3,803,128
Anglo Irish Bank Corporation plc (Ireland) (A) . . . . .	65,000	885,213
CRH public limited company (A) . . . . .	60,700	1,645,280
		<u>6,333,621</u>

See Notes to Schedule of Investments on page 115.



# The Investments of Ivy International Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Italy – 1.58%</b>		
Assicurazioni Generali SpA (A) .....	36,700	\$ 1,157,536
Saipem S.p.A. (A) .....	72,000	1,214,212
		<u>2,371,748</u>
<b>Japan – 29.03%</b>		
ACOM CO., LTD. (A) .....	20,000	1,451,790
Bank of Fukuoka, Ltd. (The) (A) .....	120,000	864,731
Canon Inc. (A) .....	36,070	1,947,840
CREDIT SAISON CO., LTD. (A) .....	48,000	2,105,801
DENSO CORPORATION (A) .....	41,000	1,188,301
Dentsu Inc. (A)* .....	290	822,623
FANUC LTD (A) .....	10,000	808,704
Honda Motor Co., Ltd. (A) .....	21,900	1,238,585
Hoya Corporation (A) .....	50,800	1,687,143
iShares MSCI Japan Index Fund .....	300,000	3,657,000
Japan Tobacco Inc. (A) .....	115	1,813,417
Kabushiki Kaisha Mitsubishi Tokyo Financial Group (A) ..	250	3,281,505
Mitsubishi Corporation (A) .....	144,000	2,841,563
Mitsubishi Estate Co., Ltd. (A) .....	62,000	850,954
Mizuho Financial Group, Inc. (A) .....	350	2,226,138
Nippon Telegraph and Telephone Corporation (A) .....	360	1,769,634
Nomura Holdings, Inc. (A) .....	62,300	966,483
ORIX Corporation (A) .....	12,300	2,221,292
SMC Corporation (A) .....	14,300	1,903,475
Sega Sammy Holdings Inc. (A) .....	49,200	1,941,735
Shinsei Bank, Limited (A)(B) .....	120,000	755,847
Sumitomo Mitsui Financial Group, Inc. (A) .....	120	1,131,128
TDK Corporation (A) .....	20,600	1,468,123
Taisei Corporation (A) .....	220,000	905,079
Tokyo Electric Power Company, Incorporated (The) (A) ..	32,000	809,056
Toyota Motor Corporation (A) .....	61,500	2,817,249
		<u>43,475,196</u>
<b>Mexico – 1.09%</b>		
Cemex, S.A. de C.V., ADR .....	31,305	<u>1,637,251</u>
<b>Netherlands – 1.05%</b>		
Royal DSM Heerlen (A) .....	40,000	<u>1,571,735</u>
<b>Norway – 0.70%</b>		
Statoil ASA (A) .....	42,000	<u>1,041,873</u>
<b>Russia – 1.54%</b>		
OAO LUKOIL, ADR .....	40,000	<u>2,308,000</u>

See Notes to Schedule of Investments on page 115.

# The Investments of Ivy International Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Singapore – 0.53%</b>		
DBS Group Holdings Ltd (A) . . . . .	85,300	\$ 796,489
<b>South Korea – 1.13%</b>		
Samsung Electronics Co., Ltd. (A) . . . . .	3,000	1,692,249
<b>Spain – 4.20%</b>		
Enagas, S.A. (A) . . . . .	150,000	2,695,485
Fadesa Inmobiliaria, S.A. (A) . . . . .	100,000	3,593,980
		6,289,465
<b>Sweden – 1.24%</b>		
Telefonaktiebolaget LM Ericsson, B Shares (A) . . . . .	510,000	1,862,034
<b>Switzerland – 7.38%</b>		
Compagnie Financiere Richemont SA (A) . . . . .	34,600	1,369,940
Credit Suisse Group, Registered Shares (A) . . . . .	30,800	1,363,442
Holcim Ltd, Registered Shares (A) . . . . .	22,400	1,487,392
Nestle S.A., Registered Shares (A) . . . . .	10,280	3,009,981
Novartis AG, Registered Shares (A) . . . . .	61,600	3,124,258
Zurich Financial Services, Registered Shares (A)* . . . . .	4,100	698,432
		11,053,445
<b>United Kingdom – 15.14%</b>		
BAE SYSTEMS plc (A) . . . . .	150,000	908,746
BHP Billiton Plc (A) . . . . .	164,700	2,660,809
BP p.l.c. (A) . . . . .	300,000	3,563,556
British American Tobacco p.l.c. (A) . . . . .	100,000	2,100,567
IG Group Holdings plc (A)(B)* . . . . .	155,000	472,936
RHM plc (A)(B)* . . . . .	450,000	2,436,552
Reckitt Benckiser plc (A) . . . . .	51,500	1,568,644
Royal Bank of Scotland Group plc (The) (A) . . . . .	75,900	2,153,885
Smiths Group plc (A) . . . . .	51,500	871,065
tesco plc (A) . . . . .	392,000	2,139,791
Vodafone Group Plc (A) . . . . .	1,460,000	3,798,128
		22,674,679
<b>United States – 1.31%</b>		
Inco Limited . . . . .	23,600	1,117,460
Schlumberger Limited . . . . .	10,000	843,800
		1,961,260
<b>TOTAL COMMON STOCKS – 97.85%</b>		<b>\$146,567,110</b>
(Cost: \$110,328,632)		

See Notes to Schedule of Investments on page 115.

# The Investments of Ivy International Fund

September 30, 2005

	Principal Amount in Thousands	Value
<b>SHORT-TERM SECURITY – 2.28%</b>		
<b>Finance Companies</b>		
BP Capital Markets p.l.c., 3.88%, 10–3–05 .....	\$3,411	<u>\$ 3,410,265</u>
(Cost: \$3,410,265)		
<b>TOTAL INVESTMENT SECURITIES – 100.13%</b>		<b>\$149,977,375</b>
(Cost: \$113,738,897)		
<b>LIABILITIES, NET OF CASH AND OTHER ASSETS – (0.13%)</b>		<b>(196,032)</b>
<b>NET ASSETS – 100.00%</b>		<b>\$149,781,343</b>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of these securities amounted to \$4,844,216 or 3.23% of net assets.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY INTERNATIONAL FUND

September 30, 2005

(In Thousands, Except for Per Share and Share Amounts)

### ASSETS

Investment securities – at value (cost – \$113,739) (Notes 1 and 3) . . . . .	\$149,977
Receivables:	
Dividends and interest. . . . .	512
Fund shares sold. . . . .	44
Prepaid and other assets . . . . .	30
Total assets . . . . .	<u>150,563</u>

### LIABILITIES

Payable to Fund shareholders . . . . .	339
Due to custodian . . . . .	157
Accrued management fee (Note 2) . . . . .	122
Accrued shareholder servicing (Note 2) . . . . .	54
Accrued service fee (Note 2) . . . . .	25
Accrued distribution fee (Note 2) . . . . .	11
Accrued accounting services fee (Note 2) . . . . .	5
Accrued administrative fee (Note 2) . . . . .	1
Other . . . . .	68
Total liabilities . . . . .	<u>782</u>
Total net assets . . . . .	<u>\$149,781</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$404,671
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income. . . . .	293
Accumulated undistributed net realized loss	
on investment transactions . . . . .	(291,430)
Net unrealized appreciation in value of investments. . . . .	36,247
Net assets applicable to outstanding units of capital . . . . .	<u>\$149,781</u>

### Net asset value per share (net assets divided by shares outstanding):

Class A . . . . .	\$26.19
Class B . . . . .	\$24.25
Class C . . . . .	\$24.17
Class Y . . . . .	\$26.19
Advisor Class . . . . .	\$25.75
Class I . . . . .	\$26.51

### Capital shares outstanding:

Class A . . . . .	4,987,641
Class B . . . . .	396,096
Class C . . . . .	373,596
Class Y . . . . .	9,456
Advisor Class . . . . .	24
Class I . . . . .	10,981

See Notes to Financial Statements.

# Statement of Operations

## IVY INTERNATIONAL FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$201) .....	\$ 1,866
Interest and amortization .....	38
Total income .....	<u>1,904</u>
Expenses (Note 2):	
Investment management fee .....	724
Shareholder servicing:	
Class A .....	153
Class B .....	33
Class C .....	16
Class Y .....	—*
Advisor Class .....	—*
Class I .....	—*
Service fee:	
Class A .....	120
Class B .....	14
Class C .....	11
Class Y .....	—*
Distribution fee:	
Class A .....	1
Class B .....	41
Class C .....	33
Accounting services fee .....	27
Custodian fees .....	25
Audit fees .....	22
Administrative fee .....	7
Other .....	76
Total expenses .....	<u>1,303</u>
Net investment income .....	<u>601</u>

### REALIZED AND UNREALIZED GAIN

#### (LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities .....	5,358
Realized net loss on foreign currency transactions .....	(64)
Realized net gain on investments .....	<u>5,294</u>
Unrealized appreciation in value of investments during the period .....	13,678
Net gain on investments .....	<u>18,972</u>
Net increase in net assets resulting from operations .....	<u>\$19,573</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY INTERNATIONAL FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>INCREASE (DECREASE) IN NET ASSETS</b>		
Operations:		
Net investment income (loss) . . . . .	\$ 601	\$ (639)
Realized net gain on investments . . . . .	5,294	14,032
Unrealized appreciation (depreciation) . . . . .	13,678	(3,413)
Net increase in net assets resulting from operations . . . . .	19,573	9,980
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Advisor Class . . . . .	(—)	(—)
Class I . . . . .	(—)	(—)
Realized gains on investment transactions:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Advisor Class . . . . .	(—)	(—)
Class I . . . . .	(—)	(—)
Capital share transactions (Note 5) . . . . .	(18,882)	(46,593)
Total increase (decrease) . . . . .	691	(36,613)
<b>NET ASSETS</b>		
Beginning of period . . . . .	149,090	185,703
End of period . . . . .	\$149,781	\$149,090
Undistributed net investment income (loss) . . . . .	\$ 293	\$ (244)

(1) See "Financial Highlights" on pages 119 - 124.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period. . . . .	\$22.86	\$21.34	\$20.64	\$16.35	\$20.69	\$26.20	\$ 47.09
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.13	(0.02)	(0.01)	(0.02)	0.06 <sup>(1)</sup>	0.05	0.19
Net realized and unrealized gain (loss) on investments . . . . .	3.20	1.54	0.71	4.31	(4.40)	(5.56)	(12.44)
Total from investment operations. . . . .	3.33	1.52	0.70	4.29	(4.34)	(5.51)	(12.25)
Less distributions from:							
Net investment income. .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.04)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(8.60)
Total distributions. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(8.64)
Net asset value, end of period. . . . .	\$26.19	\$22.86	\$21.34	\$20.64	\$16.35	\$20.69	\$ 26.20
Total return <sup>(2)</sup> . . . . .	14.57%	7.12%	3.39%	26.24%	-20.96%	-21.03%	-17.26%
Net assets, end of period (in millions). . . . .	\$131	\$122	\$125	\$124	\$127	\$345	\$588
Ratio of expenses to average net assets including reimbursement . . . . .	1.65% <sup>(3)</sup>	1.61%	1.69% <sup>(3)</sup>	1.81%	1.89%	1.60%	1.66%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.97% <sup>(3)</sup>	-0.15%	-0.26% <sup>(3)</sup>	-0.07%	0.32%	0.18%	0.37%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	1.89%	1.66%	NA
Ratio of net investment income to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	0.32%	0.12%	NA
Portfolio turnover rate . . . . .	27%	76%	27%	136%	34%	43%	91%

(1)Based on average shares outstanding.

(2)Total return calculated without taking into account the sales load deducted on an initial purchase.

(3)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period. . . . .	\$21.30	\$20.12	\$19.52	\$15.62	\$20.03	\$25.64	\$46.78
Income (loss) from investment operations:							
Net investment loss. . . . .	(0.01) <sup>(1)</sup>	(0.22) <sup>(1)</sup>	(0.07)	(0.23)	(0.12) <sup>(1)</sup>	(0.21)	(0.17)
Net realized and unrealized gain (loss) on investments. . . . .	2.96 <sup>(1)</sup>	1.40 <sup>(1)</sup>	0.67	4.13	(4.29) <sup>(1)</sup>	(5.40)	(12.33)
Total from investment operations. . . . .	2.95	1.18	0.60	3.90	(4.41)	(5.61)	(12.50)
Less distributions from:							
Net investment income. . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.04)
Capital gains. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(8.60)
Total distributions. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(8.64)
Net asset value, end of period. . . . .	\$24.25	\$21.30	\$20.12	\$19.52	\$15.62	\$20.03	\$25.64
Total return. . . . .	13.85%	5.87%	3.08%	24.97%	-22.00%	-21.88%	-17.95%
Net assets, end of period (in millions). . . . .	\$10	\$17	\$49	\$55	\$68	\$137	\$281
Ratio of expenses to average net assets including reimbursement. . . . .	2.88% <sup>(2)</sup>	2.75%	2.75% <sup>(2)</sup>	2.84%	2.85%	2.54%	2.50%
Ratio of net investment loss to average net assets including reimbursement. . . . .	-0.13% <sup>(2)</sup>	-1.09%	-1.35% <sup>(2)</sup>	-1.06%	-0.64%	-0.76%	-0.47%
Ratio of expenses to average net assets excluding reimbursement. . . . .	NA	NA	NA	NA	2.85%	2.60%	NA
Ratio of net investment loss to average net assets excluding reimbursement. . . . .	NA	NA	NA	NA	-0.64%	-0.82%	NA
Portfolio turnover rate. . . . .	27%	76%	27%	136%	34%	43%	91%

(1)Based on average shares outstanding.

(2)Annualized.

See Notes to Financial Statements.



# Financial Highlights

## IVY INTERNATIONAL FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period. . . .	\$21.20	\$20.00	\$19.39	\$15.52	\$19.90	\$25.46	\$46.57
Income (loss) from investment operations:							
Net investment loss. . . .	(0.06)	(0.32)	(0.07)	(0.20)	(0.11) <sup>(1)</sup>	(0.21)	(0.19)
Net realized and unrealized gain (loss) on investments. . . .	3.03	1.52	0.68	4.07	(4.27) <sup>(1)</sup>	(5.35)	(12.28)
Total from investment operations. . . . .	2.97	1.20	0.61	3.87	(4.38)	(5.56)	(12.47)
Less distributions from:							
Net investment income. .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.04)
Capital gains. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(8.60)
Total distributions. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(8.64)
Net asset value, end of period. . . . .	\$24.17	\$21.20	\$20.00	\$19.39	\$15.52	\$19.90	\$25.46
Total return. . . . .	14.01%	6.00%	3.15%	24.94%	-22.00%	-21.84%	-17.97%
Net assets, end of period (in millions). . . . .	\$9	\$9	\$11	\$12	\$14	\$26	\$57
Ratio of expenses to average net assets including reimbursement. . . . .	2.68% <sup>(2)</sup>	2.64%	2.67% <sup>(2)</sup>	2.80%	2.83%	2.54%	2.49%
Ratio of net investment loss to average net assets including reimbursement. . . . .	-0.04% <sup>(2)</sup>	-1.14%	-1.25% <sup>(2)</sup>	-0.94%	-0.62%	-0.76%	-0.46%
Ratio of expenses to average net assets excluding reimbursement. . . . .	NA	NA	NA	NA	2.83%	2.60%	NA
Ratio of net investment loss to average net assets excluding reimbursement. . . . .	NA	NA	NA	NA	-0.62%	-0.82%	NA
Portfolio turnover rate. . . .	27%	76%	27%	136%	34%	43%	91%

(1)Based on average shares outstanding.

(2)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the period from 7-24-2003 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$ 22.86	\$ 21.35	\$ 20.65	\$ 17.69
Income (loss) from investment operations:				
Net investment income (loss) . . . . .	0.13	(0.09)	(0.02)	0.02
Net realized and unrealized gain on investments. . . . .	3.20	1.60	0.72	2.94
Total from investment operations . . . . .	3.33	1.51	0.70	2.96
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Net asset value, end of period . . . . .	\$ 26.19	\$ 22.86	\$ 21.35	\$ 20.65
Total return . . . . .	14.57%	7.07%	3.39%	16.73%
Net assets, end of period (in thousands) . . . . .	\$248	\$229	\$140	\$135
Ratio of expenses to average net assets . . . . .	1.62% <sup>(2)</sup>	1.66%	1.76% <sup>(2)</sup>	0.59% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets . . . . .	0.96% <sup>(2)</sup>	-0.33%	-0.32% <sup>(2)</sup>	0.24% <sup>(2)</sup>
Portfolio turnover rate . . . . .	27%	76%	27%	136% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the 12 months ended December 31, 2003.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL FUND

Advisor Class Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31, 2003 2002 <sup>(3)</sup> 2001			For the period from 8-31-00 <sup>(2)</sup> to 12-31-00
Net asset value, beginning of period. . . . .	\$22.84	\$21.66	\$21.00	\$16.85	\$20.67	\$26.25	\$40.05
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	(0.25)	(0.38)	(0.08)	(1.00)	(0.24)	0.01	0.02
Net realized and unrealized gain (loss) on investments . . . . .	3.16	1.56	0.74	5.15	(3.58)	(5.59)	(5.18)
Total from investment operations. . . . .	2.91	1.18	0.66	4.15	(3.82)	(5.58)	(5.16)
Less distributions from:							
Net investment income. . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.04)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(8.60)
Total distributions. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(8.64)
Net asset value, end of period. . . . .	\$25.75	\$22.84	\$21.66	\$21.00	\$16.85	\$20.67	\$26.25
Total return . . . . .	12.74%	5.45%	3.14%	25.00%	-18.71%	-21.26%	-12.09%
Net assets, end of period (in thousands) . . . . .	\$1	\$1	\$1	\$1	\$2	\$5	\$4
Ratio of expenses to average net assets including reimbursement . . . . .	4.65% <sup>(4)</sup>	3.11%	2.35% <sup>(4)</sup>	2.72%	3.46%	1.69%	2.10% <sup>(4)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	-2.15% <sup>(4)</sup>	-1.75%	-1.58% <sup>(4)</sup>	-0.98%	-1.24%	0.09%	-0.08% <sup>(4)</sup>
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	3.46%	1.75%	NA
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	-1.24%	0.03%	NA
Portfolio turnover rate . . . . .	27%	76%	27%	136%	34%	43%	91% <sup>(5)</sup>

(1) See Note 5 to financial statements.

(2) Commencement of operations of the class.

(3) Advisor Class Shares were outstanding for the period from 1-1-02 through 6-11-02 and from 7-3-02 through 12-31-02.

(4) Annualized.

(5) For the 12 months ended December 31, 2000.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL FUND

Class I Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period. . . . .	\$23.13	\$21.58	\$20.86	\$16.48	\$20.85	\$26.35	\$47.09
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.37	0.29	(0.00)	(0.08)	0.14 <sup>(2)</sup>	0.15	0.64
Net realized and unrealized gain (loss) on investments . . . . .	3.01	1.26	0.72	4.46	(4.51) <sup>(2)</sup>	(5.65)	(12.74)
Total from investment operations. . . . .	3.38	1.55	0.72	4.38	(4.37)	(5.50)	(12.10)
Less distributions from:							
Net investment income. . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.04)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(8.60)
Total distributions. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(8.64)
Net asset value, end of period. . . . .	\$26.51	\$23.13	\$21.58	\$20.86	\$16.48	\$20.85	\$26.35
Total return . . . . .	14.61%	7.18%	3.45%	26.58%	-20.95%	-20.87%	-16.92%
Net assets, end of period (in thousands) . . . . .	\$291	\$345	\$669	\$684	\$1,304	\$17,062	\$33,907
Ratio of expenses to average net assets including reimbursement . . . . .	1.41% <sup>(3)</sup>	1.47%	1.38% <sup>(3)</sup>	1.66%	1.51%	1.24%	1.24%
Ratio of net investment income to average net assets including reimbursement . . . . .	1.26% <sup>(3)</sup>	0.20%	0.04% <sup>(3)</sup>	0.06%	0.70%	0.54%	0.79%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	1.51%	1.30%	NA
Ratio of net investment income to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	0.70%	0.48%	NA
Portfolio turnover rate . . . . .	27%	76%	27%	136%	34%	43%	91%

(1) See Note 5 to financial statements.

(2) Based on average shares outstanding.

(3) Annualized.

See Notes to Financial Statements.

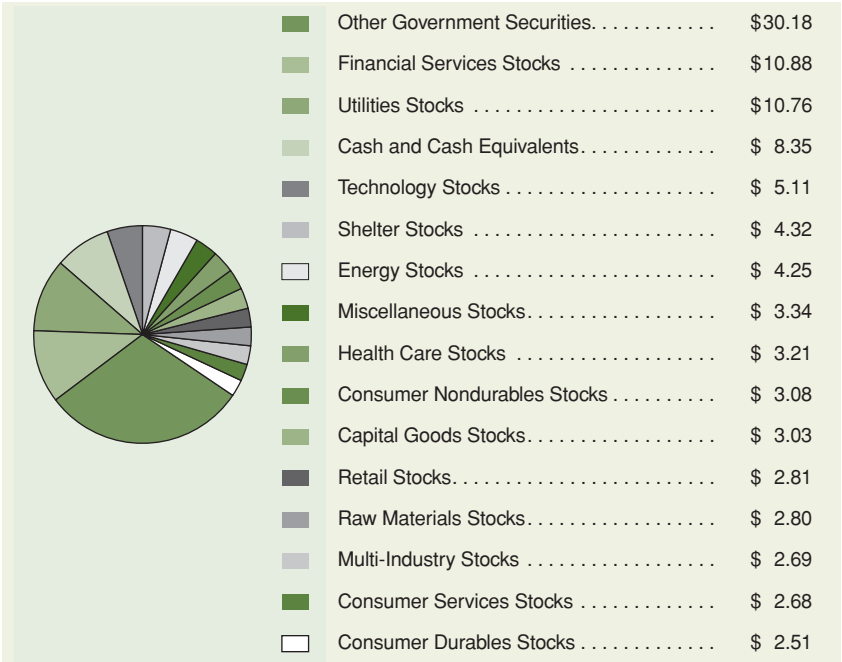
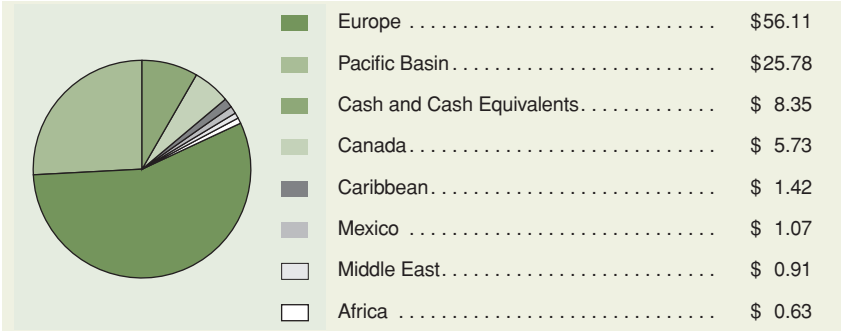
SHAREHOLDER SUMMARY OF IVY INTERNATIONAL BALANCED FUND

Portfolio Highlights

On September 30, 2005, Ivy International Balanced Fund had net assets totaling \$127,708,174 invested in a diversified portfolio of:

61.47%	Common Stocks and Right
30.18%	Other Government Securities
8.35%	Cash and Cash Equivalents

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund was invested by geographic region and by industry, respectively, as follows:



# The Investments of Ivy International Balanced Fund

September 30, 2005

COMMON STOCKS AND RIGHT	Shares	Value
<b>Australia – 1.50%</b>		
National Australia Bank Limited (A) . . . . .	54,242	\$ 1,367,112
Qantas Airways Limited (A) . . . . .	157,000	403,484
Qantas Airways Limited (A)(B). . . . .	54,528	140,135
		<u>1,910,731</u>
<b>Belgium – 0.39%</b>		
Agfa-Gevaert N.V. (A)* . . . . .	20,620	<u>496,944</u>
<b>Bermuda – 1.42%</b>		
ACE Limited . . . . .	22,750	1,070,843
XL Capital Ltd, Class A . . . . .	10,870	739,486
		<u>1,810,329</u>
<b>Canada – 1.42%</b>		
Barrick Gold Corporation (A) . . . . .	35,400	1,026,043
Domtar Inc. (A) . . . . .	122,610	787,733
		<u>1,813,776</u>
<b>China – 0.90%</b>		
China Telecom Corporation Limited (A) . . . . .	2,700,000	1,018,060
China Telecom Corporation Limited (A)(B) . . . . .	360,000	135,741
		<u>1,153,801</u>
<b>Denmark – 1.77%</b>		
Vestas Wind Systems A/S (A)* . . . . .	93,333	<u>2,254,973</u>
<b>Finland – 2.15%</b>		
Stora Enso Oyj, Class R (A) . . . . .	103,390	1,421,704
UPM-Kymmene Corporation (A) . . . . .	66,310	1,327,082
		<u>2,748,786</u>
<b>France – 3.35%</b>		
AXA (A) . . . . .	28,400	779,685
France Telecom (A) . . . . .	21,604	620,116
SUEZ (A) . . . . .	22,400	647,541
Sanofi-Aventis (A) . . . . .	13,848	1,144,364
Total S.A. (A) . . . . .	3,970	1,083,708
		<u>4,275,414</u>
<b>Germany – 3.33%</b>		
Bayer Aktiengesellschaft (A) . . . . .	20,100	738,819
Deutsche Post AG (A) . . . . .	63,460	1,485,913
E.ON AG (A) . . . . .	10,660	981,500
Munchener Ruckversicherungs-Gesellschaft Aktiengesellschaft, Registered Shares (A) . . . . .	5,360	612,058
Volkswagen Aktiengesellschaft (A) . . . . .	9,430	430,271
		<u>4,248,561</u>

See Notes to Schedule of Investments on page 133.

# The Investments of Ivy International Balanced Fund

September 30, 2005

COMMON STOCKS AND RIGHT (Continued)	Shares	Value
<b>Hong Kong – 2.37%</b>		
Bank of East Asia, Limited (The) (A) . . . . .	136,200	\$ 398,554
Cheung Kong (Holdings) Limited (A) . . . . .	108,000	1,219,584
Hutchison Whampoa Limited, Ordinary Shares (A) . . .	136,000	1,406,915
		<u>3,025,053</u>
<b>Israel – 0.91%</b>		
Check Point Software Technologies Ltd.* . . . . .	47,610	<u>1,155,971</u>
<b>Italy – 0.89%</b>		
Eni S.p.A. (A) . . . . .	38,100	<u>1,131,624</u>
<b>Japan – 5.40%</b>		
Hitachi, Ltd. (A) . . . . .	150,000	950,095
KDDI CORPORATION (A) . . . . .	196	1,105,052
Konica Minolta Holdings, Inc. (A) . . . . .	55,500	504,568
Nintendo Co., Ltd. (A) . . . . .	5,000	583,183
Nippon Telegraph and Telephone Corporation (A) . . . .	194	953,636
Nomura Holdings, Inc. (A) . . . . .	36,900	572,443
Sony Corporation (A) . . . . .	27,500	903,625
Takeda Chemical Industries, Ltd. (A) . . . . .	22,300	1,328,001
		<u>6,900,603</u>
<b>Mexico – 1.07%</b>		
Telefonos de Mexico, S.A. de C.V., ADR . . . . .	64,280	<u>1,367,236</u>
<b>Netherlands – 3.71%</b>		
Akzo Nobel N.V. (A) . . . . .	21,570	940,377
ING Groep N.V., Certicaaten Van Aandelen (A) . . . . .	46,290	1,378,774
Koninklijke Philips Electronics N.V., Ordinary Shares (A) . . . . .	48,410	1,286,555
Reed Elsevier NV (A) . . . . .	82,170	1,133,861
		<u>4,739,567</u>
<b>Norway – 1.71%</b>		
Norske Skogindustrier ASA (A) . . . . .	43,870	647,934
Norske Skogindustrier ASA, Rights (A)* . . . . .	43,870	77,015
Telenor ASA (A) . . . . .	160,750	1,435,553
Telenor ASA (A)(B) . . . . .	2,550	22,772
		<u>2,183,274</u>
<b>Portugal – 0.55%</b>		
Portugal Telecom, SGPS, S.A., Ordinary Shares (A) . .	76,340	<u>697,381</u>

See Notes to Schedule of Investments on page 133.

# The Investments of Ivy International Balanced Fund

September 30, 2005

COMMON STOCKS AND RIGHT (Continued)	Shares	Value
<b>Singapore – 1.10%</b>		
DBS Group Holdings Ltd (A) . . . . .	33,000	\$ 308,138
Venture Corporation Limited (A) . . . . .	128,000	1,096,862
		<u>1,405,000</u>
<b>South Africa – 0.63%</b>		
Sappi Limited (A) . . . . .	69,000	<u>810,725</u>
<b>South Korea – 3.86%</b>		
KT Corporation, ADR . . . . .	48,730	1,096,425
Kookmin Bank, ADR . . . . .	16,440	974,070
POSCO, ADR . . . . .	9,340	528,270
SK Telecom Co., Ltd., ADR . . . . .	41,000	895,440
Samsung Electronics Co., Ltd. (A) . . . . .	530	298,964
Samsung Electronics Co., Ltd., GDR (B) . . . . .	4,010	1,140,845
		<u>4,934,014</u>
<b>Spain – 2.42%</b>		
Gamesa Corporacion Tecnologica, S.A. (A) . . . . .	53,110	815,852
Iberdrola, S.A. (A) . . . . .	17,743	495,855
Repsol YPF, S.A. (A) . . . . .	39,250	1,271,932
Telefonica, S.A., ADR . . . . .	10,025	494,433
Telefonica, S.A., Brazilian Depositary Receipts (A) . . . . .	570	9,327
		<u>3,087,399</u>
<b>Sweden – 2.23%</b>		
ForeningsSparbanken AB (A) . . . . .	24,300	587,812
Nordea Bank AB, Finnish Depositary Receipts (A) . . . . .	113,190	1,126,530
Securitas AB, Class B (A) . . . . .	73,500	1,137,888
		<u>2,852,230</u>
<b>Switzerland – 2.31%</b>		
Lonza Group Ltd, Registered Shares (A) . . . . .	5,800	342,336
Nestle S.A., Registered Shares (A) . . . . .	4,100	1,200,479
Swiss Reinsurance Company, Registered Shares (A) . . . . .	11,950	784,727
UBS AG (A) . . . . .	7,400	628,863
		<u>2,956,405</u>
<b>Taiwan – 2.27%</b>		
Chunghwa Telecom Co., Ltd., ADR . . . . .	24,700	457,197
Compal Electronics Inc., GDR . . . . .	53,235	262,683
Compal Electronics Inc., GDR (B) . . . . .	128,409	633,621
Lite-On Technology Corporation, GDR . . . . .	75,868	847,024
Mega Financial Holding Company (A)* . . . . .	1,107,000	700,506
		<u>2,901,031</u>

See Notes to Schedule of Investments on page 133.



# The Investments of Ivy International Balanced Fund

September 30, 2005

COMMON STOCKS AND RIGHT (Continued)	Shares	Value
<b>United Kingdom – 13.81%</b>		
AMVESCAP PLC (A) . . . . .	26,400	\$ 171,347
BAE SYSTEMS plc (A) . . . . .	179,510	1,087,527
BP p.l.c. (A) . . . . .	82,800	983,541
Boots Group PLC (A) . . . . .	64,600	693,295
British Sky Broadcasting Group plc (A) . . . . .	134,780	1,332,373
Cadbury Schweppes plc (A) . . . . .	72,900	735,442
Compass Group PLC (A) . . . . .	608,600	2,213,862
GlaxoSmithKline plc (A) . . . . .	42,970	1,092,837
Pearson plc (A) . . . . .	82,670	960,855
Rentokil Initial plc (A) . . . . .	376,520	1,097,373
Rolls-Royce plc (A)* . . . . .	120,600	794,443
Royal Bank of Scotland Group plc (The) (A) . . . . .	52,590	1,492,396
Royal Dutch Shell plc, Class B (A) . . . . .	27,641	954,533
Shire Pharmaceuticals Group plc (A) . . . . .	44,000	535,071
Smiths Group plc (A) . . . . .	39,780	672,834
Unilever PLC (A) . . . . .	95,630	998,483
Vodafone Group Plc (A) . . . . .	437,630	1,138,476
Wm MORRISON SUPERMARKETS PLC (A) . . . . .	216,740	679,475
		<b>17,634,163</b>
<b>TOTAL COMMON STOCKS AND RIGHT- 61.47%</b>		<b>\$ 78,494,991</b>
(Cost: \$64,844,195)		

OTHER GOVERNMENT SECURITIES	Principal Amount in Thousands	
<b>Australia – 1.08%</b>		
New South Wales Treasury Corporation, 6.5%, 5–1–06 (B)(C) . . . . .	AUD550	421,754
Queensland Treasury Corporation: 6.0%, 8–14–13 (C) . . . . .	1,200	944,074
6.0%, 10–14–15 (C) . . . . .	10	7,905
		<b>1,373,733</b>
<b>Austria – 0.75%</b>		
Republic of Austria: 5.5%, 10–20–07 (C) . . . . .	EUR360	459,158
4.0%, 7–15–09 (C) . . . . .	70	88,358
5.0%, 7–15–12 (C) . . . . .	300	406,746
		<b>954,262</b>

See Notes to Schedule of Investments on page 133.

# The Investments of Ivy International Balanced Fund

September 30, 2005

OTHER GOVERNMENT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Belgium – 0.64%</b>		
Belgium Government Bond:		
4.75%, 9–28–06 (C) . . . . .	EUR100	\$ 123,118
7.5%, 7–29–08 (C) . . . . .	405	552,504
5.0%, 9–28–12 (C) . . . . .	100	135,867
		<u>811,489</u>
<b>Canada – 4.31%</b>		
Canadian Government Bond:		
3.0%, 6–1–06 (C) . . . . .	CAD950	816,206
3.25%, 12–1–06 (C) . . . . .	3,550	3,053,024
4.5%, 9–1–07 (C) . . . . .	1,040	913,880
6.0%, 6–1–11 (C) . . . . .	748	718,388
		<u>5,501,498</u>
<b>Denmark – 0.20%</b>		
Denmark Government Bond,		
5.0%, 11–15–13 (C) . . . . .	DKK1,400	<u>258,556</u>
<b>Finland – 0.75%</b>		
Finland Government Bond:		
3.0%, 7–4–08 (C) . . . . .	EUR400	487,691
5.0%, 4–25–09 (C) . . . . .	60	78,008
5.75%, 2–23–11 (C) . . . . .	280	386,377
		<u>952,076</u>
<b>France – 1.33%</b>		
France Government Bond OAT:		
4.0%, 10–25–09 (C) . . . . .	712	901,457
4.0%, 4–25–13 (C) . . . . .	620	796,787
		<u>1,698,244</u>
<b>Germany – 0.71%</b>		
Deutsche Bundesrepublik:		
6.0%, 7–4–07 (C) . . . . .	531	677,578
5.0%, 7–4–11 (C) . . . . .	170	228,118
		<u>905,696</u>
<b>Ireland – 0.58%</b>		
Ireland Government Bond,		
5.0%, 4–18–13 (C) . . . . .	540	<u>737,723</u>

See Notes to Schedule of Investments on page 133.

# The Investments of Ivy International Balanced Fund

September 30, 2005

OTHER GOVERNMENT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Italy – 0.95%</b>		
Italy Buoni Poliennali Del Tesoro:		
7.75%, 11–1–06 (C) . . . . .	EUR479	\$ 609,249
5.5%, 11–1–10 (C) . . . . .	447	605,413
		<u>1,214,662</u>
<b>Netherlands – 0.97%</b>		
Netherlands Government Bond,		
5.75%, 2–15–07 (C) . . . . .	990	<u>1,244,840</u>
<b>New Zealand – 1.58%</b>		
New Zealand Government Bond:		
7.0%, 7–15–09 (C) . . . . .	NZD1,950	1,396,978
6.0%, 11–15–11 (C) . . . . .	900	626,684
		<u>2,023,662</u>
<b>Norway – 2.15%</b>		
Norway Government Bond,		
6.75%, 1–15–07 (C) . . . . .	NOK17,135	<u>2,750,823</u>
<b>Poland – 2.92%</b>		
Poland Government Bond:		
8.5%, 11–12–06 (C) . . . . .	PLN2,410	771,004
8.5%, 5–12–07 (C) . . . . .	1,100	358,302
6.0%, 5–24–09 (C) . . . . .	4,275	1,369,367
6.25%, 10–24–15 (C) . . . . .	3,250	1,115,758
5.75%, 9–23–22 (C) . . . . .	320	108,484
		<u>3,722,915</u>
<b>Singapore – 2.00%</b>		
Singapore Government Bond,		
2.625%, 10–1–07 (C) . . . . .	SGD4,300	<u>2,557,764</u>
<b>South Korea – 3.30%</b>		
South Korea Treasury Bond:		
4.75%, 3–3–07 (C) . . . . .	KRW2,300,000	2,212,898
3.75%, 9–10–07 (C) . . . . .	1,100,000	1,039,327
4.5%, 9–9–08 (C) . . . . .	1,000,000	956,392
		<u>4,208,617</u>

See Notes to Schedule of Investments on page 133.

# The Investments of Ivy International Balanced Fund

September 30, 2005

OTHER GOVERNMENT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Spain – 1.40%</b>		
Spain Government Bond:		
10.15%, 1–31–06 (C) . . . . .	EUR294	\$ 362,297
4.8%, 10–31–06 (C) . . . . .	100	123,468
6.0%, 1–31–08 (C) . . . . .	350	454,263
5.0%, 7–30–12 (C) . . . . .	630	853,616
		<b>1,793,644</b>
<b>Sweden – 2.07%</b>		
Sweden Government Bond:		
8.0%, 8–15–07 (C) . . . . .	SEK6,180	880,853
6.5%, 5–5–08 (C) . . . . .	1,800	255,978
5.5%, 10–8–12 (C) . . . . .	3,580	536,963
3.5%, 12–1–15 (C)(D) . . . . .	6,234	972,421
		<b>2,646,215</b>
<b>Thailand – 2.00%</b>		
Thailand Government Bond:		
8.5%, 10–14–05 (C) . . . . .	THB45,700	1,114,146
8.0%, 12–8–06 (C) . . . . .	41,250	1,051,637
Thailand Treasury Bill:		
0.0%, 2–23–06 (C) . . . . .	12,900	311,147
0.0%, 3–9–06 (C) . . . . .	3,420	82,372
		<b>2,559,302</b>
<b>United Kingdom – 0.49%</b>		
United Kingdom Treasury,		
7.5%, 12–7–06 (C) . . . . .	GBP343	<b>627,574</b>
<b>TOTAL OTHER GOVERNMENT SECURITIES – 30.18%</b>		<b>\$ 38,543,295</b>
(Cost: \$34,595,081)		

## SHORT-TERM SECURITIES

<b>Banks – 4.16%</b>		
Rabobank USA Financial Corp.		
(Rabobank Nederland),		
3.88%, 10–3–05 . . . . .	\$5,313	<b>5,311,855</b>
<b>Finance Companies – 0.65%</b>		
BP Capital Markets p.l.c.,		
3.88%, 10–3–05 . . . . .	830	<b>829,821</b>

See Notes to Schedule of Investments on page 133.

# The Investments of Ivy International Balanced Fund

September 30, 2005

SHORT-TERM SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Security and Commodity Brokers – 1.25%</b>		
UBS Finance Delaware LLC (UBS AG), 3.75%, 10–17–05 .....	\$1,600	\$ 1,597,333
<b>TOTAL SHORT-TERM SECURITIES – 6.06%</b>		<b>\$ 7,739,009</b>
(Cost: \$7,739,009)		
<b>TOTAL INVESTMENT SECURITIES – 97.71%</b>		<b>\$124,777,295</b>
(Cost: \$107,178,285)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 2.29%</b>		<b>2,930,879</b>
<b>NET ASSETS – 100.00%</b>		<b>\$127,708,174</b>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of these securities amounted to \$2,494,868 or 1.95% of net assets.

(C) Principal amounts are denominated in the indicated foreign currency, where applicable (AUD – Australian Dollar, CAD – Canadian Dollar, DKK – Danish Krone, EUR – Euro, GBP – Great Britain Pound, KRW – South Korean Won, NOK – Norwegian Krone, NZD – New Zealand Dollar, PLN – Polish Zloty, SEK – Swedish Krona, SGD – Singapore Dollar, THB – Thailand Baht).

(D) The interest rate for this security is a stated rate, but the interest payments are determined by multiplying the inflation-adjusted principal by one half of the stated rate for each semiannual interest payment date.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY INTERNATIONAL BALANCED FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$107,178) (Notes 1 and 3) . . . . .	\$124,777
Cash denominated in foreign currencies (cost – \$436) . . . . .	435
Receivables:	
Investment securities sold . . . . .	3,044
Dividends and interest . . . . .	1,150
Fund shares sold . . . . .	392
Prepaid and other assets . . . . .	24
Total assets . . . . .	<u>129,822</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	1,381
Due to custodian . . . . .	391
Payable to Fund shareholders . . . . .	159
Accrued management fee (Note 2) . . . . .	73
Accrued shareholder servicing (Note 2) . . . . .	36
Accrued service fee (Note 2) . . . . .	26
Accrued distribution fee (Note 2) . . . . .	8
Accrued accounting services fee (Note 2) . . . . .	5
Other . . . . .	35
Total liabilities . . . . .	<u>2,114</u>

    Total net assets . . . . . \$127,708

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$105,078
Accumulated undistributed income:	
Accumulated undistributed net investment income . . . . .	870
Accumulated undistributed net realized gain	
on investment transactions . . . . .	4,177
Net unrealized appreciation in value of investments . . . . .	17,583
Net assets applicable to outstanding units of capital . . . . .	<u>\$127,708</u>

Net asset value per share (net assets divided by shares outstanding):

Class A . . . . .	\$15.08
Class B . . . . .	\$15.04
Class C . . . . .	\$15.05
Class Y . . . . .	\$15.07

Capital shares outstanding:

Class A . . . . .	7,601
Class B . . . . .	313
Class C . . . . .	522
Class Y . . . . .	36

See Notes to Financial Statements.

# Statement of Operations

## IVY INTERNATIONAL BALANCED FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$164) .....	\$1,368
Interest and amortization .....	860
Total income .....	<u>2,228</u>
Expenses (Note 2):	
Investment management fee .....	417
Shareholder servicing:	
Class A .....	134
Class B .....	13
Class C .....	12
Class Y .....	1
Service fee:	
Class A .....	124
Class B .....	5
Class C .....	8
Class Y .....	1
Distribution fee:	
Class A .....	11
Class B .....	15
Class C .....	24
Custodian fees .....	39
Registration fees .....	32
Accounting services fee .....	32
Audit fees .....	15
Other .....	24
Total expenses .....	<u>907</u>
Net investment income .....	<u>1,321</u>

### REALIZED AND UNREALIZED GAIN

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities .....	2,510
Realized net gain on foreign currency transactions .....	61
Realized net gain on investments .....	<u>2,571</u>
Unrealized appreciation in value of investments during the period .....	714
Net gain on investments .....	<u>3,285</u>
Net increase in net assets resulting from operations .....	<u>\$4,606</u>

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY INTERNATIONAL BALANCED FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 1,321	\$ 1,257
Realized net gain on investments .....	2,571	2,637
Unrealized appreciation .....	714	7,031
Net increase in net assets resulting from operations .....	4,606	10,925
Distributions to shareholders from (Note 1F): <sup>(1)</sup>		
Net investment income:		
Class A .....	(743)	(1,453)
Class B .....	(4)	(11)
Class C .....	(15)	(12)
Class Y .....	(4)	(5)
Realized gains on investment transactions:		
Class A .....	(—)	(393)
Class B .....	(—)	(9)
Class C .....	(—)	(9)
Class Y .....	(—)	(2)
	(766)	(1,894)
Capital share transactions (Note 5) .....	19,160	35,237
Total increase .....	23,000	44,268
<b>NET ASSETS</b>		
Beginning of period .....	104,708	60,440
End of period .....	\$127,708	\$104,708
Undistributed net investment income .....	\$ 870	\$ 254

(1) See "Financial Highlights" on pages 137 - 140.

See Notes to Financial Statements.



# Financial Highlights

## IVY INTERNATIONAL BALANCED FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended September 30,			
				2003	2002	2001	2000
Net asset value, beginning of period. . . . .	\$14.63	\$13.07	\$11.33	\$ 8.72	\$9.28	\$11.59	\$11.80
Income (loss) from investment operations:							
Net investment income. . . . .	0.16	0.22	0.09	0.21	0.18	0.18	0.23
Net realized and unrealized gain (loss) on investments. . . . .	0.39	1.69	1.83	2.40	(0.59)	(1.28)	0.50
Total from investment operations. . . . .	0.55	1.91	1.92	2.61	(0.41)	(1.10)	0.73
Less distributions from:							
Net investment income. . . . .	(0.10)	(0.28)	(0.18)	(0.00)	(0.00)	(0.11)	(0.36)
Capital gains. . . . .	(0.00)	(0.07)	(0.00)	(0.00)	(0.13)	(1.10)	(0.58)
Tax return of capital. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.00)
Total distributions. . . . .	(0.10)	(0.35)	(0.18)	(0.00)	(0.15)	(1.21)	(0.94)
Net asset value, end of period	\$15.08	\$14.63	\$13.07	\$11.33	\$8.72	\$ 9.28	\$11.59
Total return <sup>(1)</sup> . . . . .	3.77%	14.81%	17.05%	29.93%	-4.62%	-10.57%	6.26%
Net assets, end of period (in millions). . . . .	\$115	\$97	\$60	\$46	\$36	\$40	\$48
Ratio of expenses to average net assets including reimbursement. . . . .	1.44% <sup>(2)</sup>	1.42%	1.54% <sup>(2)(3)</sup>	1.67%	1.62%	1.62%	1.52%
Ratio of net investment income to average net assets including reimbursement. . . . .	2.32% <sup>(2)</sup>	1.71%	1.43% <sup>(2)(3)</sup>	2.06%	1.84%	1.60%	1.92%
Ratio of expenses to average net assets excluding reimbursement. . . . .	NA	NA	1.60% <sup>(2)(3)</sup>	1.71%	1.72%	1.73%	1.65%
Ratio of net investment income to average net assets excluding reimbursement. . . . .	NA	NA	1.37% <sup>(2)(3)</sup>	2.02%	1.74%	1.49%	1.79%
Portfolio turnover rate. . . . .	8%	16%	15%	39%	48%	36%	44%

(1) Total return calculated without taking into account the sales load deducted on an initial purchase.

(2) Annualized.

(3) In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown above reflect a blended rate that includes the effect of income and expenses for those Class B and Class C shares from October 1, 2003 up to the time of merger. Actual expenses that applied to Class A shareholders were lower than shown above.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL BALANCED FUND

*Class B Shares*

*For a Share of Capital Stock Outstanding Throughout Each Period:*

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$14.59	\$13.04	\$12.34
Income from investment operations:			
Net investment income . . . . .	0.05	0.03 <sup>(2)</sup>	0.19
Net realized and unrealized gain on investments . . . . .	0.42	1.70 <sup>(2)</sup>	0.69
Total from investment operations . . . . .	0.47	1.73	0.88
Less distributions from:			
Net investment income . . . . .	(0.02)	(0.11)	(0.18)
Capital gains . . . . .	(0.00)	(0.07)	(0.00)
Total distributions . . . . .	(0.02)	(0.18)	(0.18)
Net asset value, end of period . . . . .	\$15.04	\$14.59	\$13.04
Total return . . . . .	3.18%	13.37%	7.18%
Net assets, end of period (in thousands) . . . . .	\$4,708	\$3,049	\$225
Ratio of expenses to average net assets . . . . .	2.61% <sup>(3)</sup>	2.64%	3.01% <sup>(3)</sup>
Ratio of net investment income to average net assets . . . . .	1.03% <sup>(3)</sup>	0.20%	1.09% <sup>(3)</sup>
Portfolio turnover rate . . . . .	8%	16%	15% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the six months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL BALANCED FUND

*Class C Shares*

*For a Share of Capital Stock Outstanding Throughout Each Period:*

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$14.60	\$13.04	\$12.34
Income from investment operations:			
Net investment income . . . . .	0.05	0.07 <sup>(2)</sup>	0.19
Net realized and unrealized gain on investments . . . . .	0.43	1.69 <sup>(2)</sup>	0.69
Total from investment operations . . . . .	0.48	1.76	0.88
Less distributions from:			
Net investment income . . . . .	(0.03)	(0.13)	(0.18)
Capital gains . . . . .	(0.00)	(0.07)	(0.00)
Total distributions . . . . .	(0.03)	(0.20)	(0.18)
Net asset value, end of period . . . . .	\$15.05	\$14.60	\$13.04
Total return . . . . .	3.31%	13.58%	7.18%
Net assets, end of period (in thousands) . . . . .	\$7,852	\$3,968	\$307
Ratio of expenses to average net assets . . . . .	2.33% <sup>(3)</sup>	2.44%	2.86% <sup>(3)</sup>
Ratio of net investment income to average net assets . . . . .	1.24% <sup>(3)</sup>	0.44%	1.13% <sup>(3)</sup>
Portfolio turnover rate . . . . .	8%	16%	15% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the six months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL BALANCED FUND

*Class Y Shares*

*For a Share of Capital Stock Outstanding Throughout Each Period:*

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$14.63	\$13.07	\$12.34
Income from investment operations:			
Net investment income . . . . .	0.16 <sup>(2)</sup>	0.24 <sup>(2)</sup>	0.21
Net realized and unrealized gain on investments . . . . .	0.38 <sup>(2)</sup>	1.67 <sup>(2)</sup>	0.70
Total from investment operations . . . . .	0.54	1.91	0.91
Less distributions from:			
Net investment income . . . . .	(0.10)	(0.28)	(0.18)
Capital gains . . . . .	(0.00)	(0.07)	(0.00)
Total distributions . . . . .	(0.10)	(0.35)	(0.18)
Net asset value, end of period . . . . .	\$15.07	\$14.63	\$13.07
Total return . . . . .	3.72%	14.84%	7.47%
Net assets, end of period (in thousands) . . . . .	\$546	\$397	\$185
Ratio of expenses to average net assets . . . . .	1.43% <sup>(3)</sup>	1.40%	1.79% <sup>(3)</sup>
Ratio of net investment income to average net assets . . . . .	2.28% <sup>(3)</sup>	1.72%	2.00% <sup>(3)</sup>
Portfolio turnover rate . . . . .	8%	16%	15% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the six months ended March 31, 2004.

See Notes to Financial Statements.

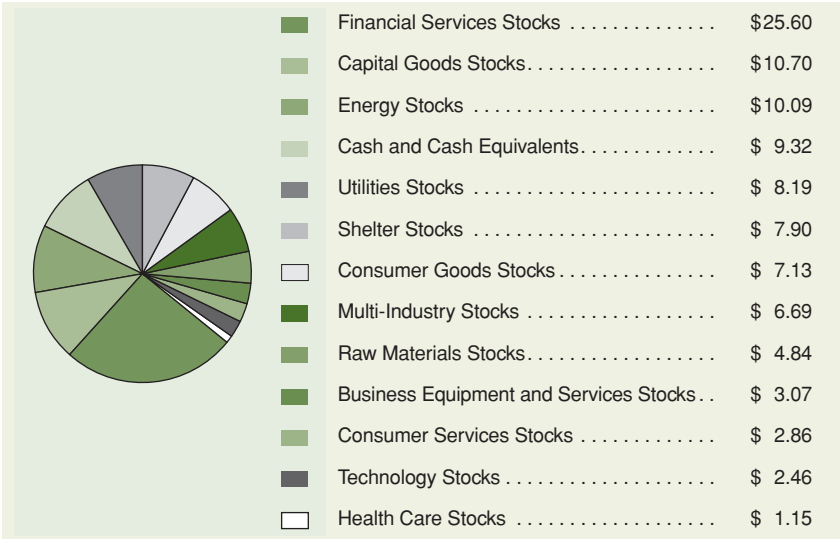
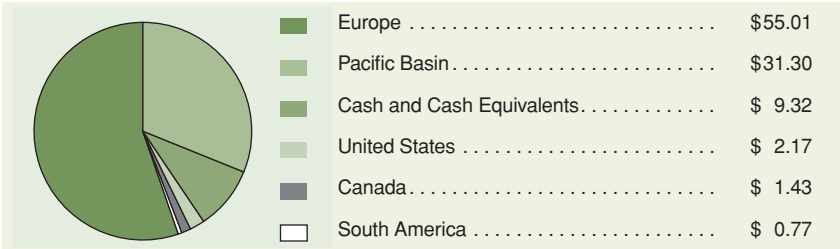
# SHAREHOLDER SUMMARY OF IVY INTERNATIONAL VALUE FUND

## Portfolio Highlights

On September 30, 2005, Ivy International Value Fund had net assets totaling \$56,715,138 invested in a diversified portfolio of:

90.68%	Common Stocks
9.32%	Cash and Cash Equivalents

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund was invested by geographic region and by industry, respectively, as follows:



# The Investments of Ivy International Value Fund

September 30, 2005

COMMON STOCKS	Shares	Value
<b>Australia – 0.50%</b>		
Westpac Banking Corporation (A) . . . . .	17,800	\$ 286,417
<b>Austria – 3.74%</b>		
OMV Aktiengesellschaft (A) . . . . .	25,000	1,484,770
Raiffeisen International Bank-Holding AG (A)* . . . . .	9,500	634,325
		<b>2,119,095</b>
<b>Belgium – 1.93%</b>		
Fortis (A) . . . . .	30,000	867,243
KBC Group NV (A) . . . . .	2,800	226,841
		<b>1,094,084</b>
<b>Brazil – 0.77%</b>		
Companhia Vale do Rio Doce, ADR . . . . .	10,000	<b>438,600</b>
<b>Canada – 1.43%</b>		
EnCana Corporation (A) . . . . .	13,900	<b>811,142</b>
<b>Finland – 2.29%</b>		
Neste Oil Corporation (A)(B)* . . . . .	35,000	<b>1,297,018</b>
<b>France – 6.20%</b>		
ALSTOM (A)* . . . . .	2,500	118,697
Nexity (A) . . . . .	10,000	504,840
Peugeot S.A. (A) . . . . .	10,000	679,130
Sanofi-Aventis (A) . . . . .	7,872	650,522
Technip-Coflexip (A) . . . . .	16,000	946,984
Unibail Holding (A) . . . . .	2,000	290,403
Vivendi Universal (A) . . . . .	10,000	326,463
		<b>3,517,039</b>
<b>Germany – 7.57%</b>		
Bayerische Hypo- und Vereinsbank AG (A)* . . . . .	28,500	801,614
Commerzbank Aktiengesellschaft (A) . . . . .	38,000	1,040,499
Continental Aktiengesellschaft (A) . . . . .	8,000	656,580
elexis AG (A)* . . . . .	30,000	768,078
Hypo Real Estate Holding AG (A) . . . . .	10,000	507,244
IVG Immobilien AG (A)(B)* . . . . .	25,000	516,559
		<b>4,290,574</b>

See Notes to Schedule of Investments on page 145.

# The Investments of Ivy International Value Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Hong Kong – 1.01%</b>		
Beijing Capital Land Limited, Class H (A) . . . . .	2,000,000	\$ 573,646
<b>Ireland – 1.11%</b>		
Bank of Ireland (A) . . . . .	40,000	629,848
<b>Italy – 2.83%</b>		
BUZZI UNICEM SpA (A) . . . . .	30,000	471,665
Banca Popolare di Milano Scarl (A)* . . . . .	50,000	512,353
Beni Stabili SpA (A) . . . . .	300,000	316,246
Fondiarria-SAI S.p.A. (A) . . . . .	10,000	303,505
		<b>1,603,769</b>
<b>Japan – 28.16%</b>		
Asatsu-DK Inc. (A) . . . . .	12,000	374,224
Bank of Fukuoka, Ltd. (The) (A) . . . . .	100,000	720,610
Chubu Electric Power Company, Incorporated (A) . . . . .	20,000	488,041
Electric Power Development Co., Ltd. (A)(B) . . . . .	30,000	1,001,630
Hokuhoku Financial Group, Inc. (A) . . . . .	200,000	754,085
Ichiyoshi Securities Co., Ltd. (A) . . . . .	100,000	1,132,890
iShares MSCI Japan Index Fund . . . . .	200,000	2,438,000
Kabushiki Kaisha Mitsubishi Tokyo Financial Group (A) . .	90	1,181,342
Kubota Corporation (A) . . . . .	100,000	692,420
Mitsubishi Corporation (A) . . . . .	45,000	887,988
Mitsubishi Estate Co., Ltd. (A) . . . . .	22,000	301,951
Mitsui Trust Holdings, Inc. (A) . . . . .	25,000	346,210
Mizuho Financial Group, Inc. (A) . . . . .	120	763,247
Nikko Exchange Traded Index (A) . . . . .	8,410	1,017,216
Nippon Telegraph and Telephone Corporation (A) . . . . .	120	589,878
Nishi-Nippon City Bank, Ltd. (The) (A) . . . . .	100,000	495,970
Secom Co., Ltd. (A) . . . . .	10,000	480,994
Sega Sammy Holdings Inc. (A) . . . . .	20,000	789,323
Sumitomo Mitsui Financial Group, Inc. (A) . . . . .	100	942,607
Tochigi Bank, Ltd. (The) (A) . . . . .	50,000	355,460
Tokyo Electric Power Company, Incorporated (The) (A) . .	8,500	214,906
		<b>15,968,992</b>
<b>Korea – 1.63%</b>		
iShares MSCI South Korea Index Fund . . . . .	10,000	394,500
Kyeryong Construction Industrial Co. Ltd (A) . . . . .	20,000	528,588
		<b>923,088</b>

See Notes to Schedule of Investments on page 145.

# The Investments of Ivy International Value Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Netherlands – 4.12%</b>		
Royal Boskalis Westminster nv, Certicaaten Van Aandelen (A) . . . . .	8,800	\$ 437,913
Royal DSM Heerlen (A) . . . . .	20,000	785,868
SBM Offshore N.V. (A) . . . . .	10,000	834,188
Wolters Kluwer nv, Certicaaten Van Aandelen (A). . . . .	15,000	279,104
		<b>2,337,073</b>
<b>Norway – 1.53%</b>		
Stolt Offshore S.A. (A)* . . . . .	75,000	<b>867,274</b>
<b>Spain – 7.92%</b>		
Altadis, S.A. (A) . . . . .	10,000	447,985
Enagas, S.A. (A) . . . . .	70,000	1,257,893
Fadesa Inmobiliaria, S.A. (A) . . . . .	40,000	1,437,592
Fadesa Inmobiliaria, S.A. (A)(B). . . . .	15,000	539,097
Repsol YPF, S.A. (A). . . . .	25,000	810,148
		<b>4,492,715</b>
<b>Switzerland – 3.94%</b>		
Chocoladefabriken Lindt & Sprungli AG		
Registered Shares (A) . . . . .	30	495,983
Credit Suisse Group, Registered Shares (A). . . . .	10,700	473,663
Holcim Ltd, Registered Shares (A) . . . . .	7,750	514,611
Verwaltungs- und Privat-Bank Aktiengesellschaft (A) . . . . .	3,000	493,665
Zurich Financial Services, Registered Shares (A)* . . . . .	1,500	255,524
		<b>2,233,446</b>
<b>United Kingdom – 11.83%</b>		
BAE SYSTEMS plc (A) . . . . .	100,000	605,831
BHP Billiton Plc (A) . . . . .	60,600	979,023
British American Tobacco p.l.c. (A) . . . . .	40,000	840,227
RHM plc (A)(B)* . . . . .	150,000	812,184
Royal Bank of Scotland Group plc (The) (A) . . . . .	27,900	791,744
Royal Dutch Shell plc, Class A (A) . . . . .	40,000	1,320,758
Vedanta Resources plc (A)(B) . . . . .	25,200	266,671
Vodafone Group Plc (A) . . . . .	420,000	1,092,612
		<b>6,709,050</b>
<b>United States – 2.17%</b>		
Inco Limited . . . . .	15,000	710,250
iShares MSCI EAFE Index Fund . . . . .	9,000	522,810
		<b>1,233,060</b>
<b>TOTAL COMMON STOCKS – 90.68%</b>		<b>\$51,425,930</b>
(Cost: \$39,083,638)		

See Notes to Schedule of Investments on page 145.



# The Investments of Ivy International Value Fund

September 30, 2005

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
<b>Finance Companies – 3.52%</b>		
BP Capital Markets p.l.c., 3.88%, 10–3–05 .....	\$2,000	<u>\$ 1,999,569</u>
<b>Security and Commodity Brokers – 5.30%</b>		
Greenwich Capital Holdings Inc. (Royal Bank of Scotland PLC (The)), 3.87%, 10–3–05 .....	2,007	2,006,569
UBS Finance Delaware LLC (UBS AG), 3.75%, 10–17–05 .....	1,000	998,333
		<u>3,004,902</u>
<b>TOTAL SHORT-TERM SECURITIES – 8.82%</b>		<b>\$ 5,004,471</b>
(Cost: \$5,004,471)		
<b>TOTAL INVESTMENT SECURITIES – 99.50%</b>		<b>\$56,430,401</b>
(Cost: \$44,088,109)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.50%</b>		<b>284,737</b>
<b>NET ASSETS – 100.00%</b>		<b>\$56,715,138</b>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of these securities amounted to \$4,433,159 or 7.82% of net assets.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY INTERNATIONAL VALUE FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$44,088) (Notes 1 and 3) . . . . .	\$56,430
Cash denominated in foreign currencies (cost – \$175) . . . . .	175
Receivables:	
Investment securities sold . . . . .	512
Fund shares sold . . . . .	182
Dividends and interest . . . . .	147
Prepaid and other assets . . . . .	29
Total assets . . . . .	<u>57,475</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	502
Payable to Fund shareholders . . . . .	91
Due to custodian . . . . .	50
Accrued management fee (Note 2) . . . . .	44
Accrued shareholder servicing (Note 2) . . . . .	20
Accrued distribution fee (Note 2) . . . . .	14
Accrued service fee (Note 2) . . . . .	11
Accrued accounting services fee (Note 2) . . . . .	3
Accrued administrative fee (Note 2) . . . . .	1
Other . . . . .	24
Total liabilities . . . . .	<u>760</u>
Total net assets . . . . .	<u>\$56,715</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$53,431
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income . . . . .	74
Accumulated undistributed net realized loss	
on investment transactions . . . . .	(9,133)
Net unrealized appreciation in value of investments . . . . .	12,343
Net assets applicable to outstanding units of capital . . . . .	<u>\$56,715</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$13.45
Class B . . . . .	\$12.59
Class C . . . . .	\$12.58
Class Y . . . . .	\$13.50
Advisor Class . . . . .	\$13.36
Capital shares outstanding:	
Class A . . . . .	2,397
Class B . . . . .	1,249
Class C . . . . .	651
Class Y . . . . .	40
Advisor Class . . . . .	1

See Notes to Financial Statements.

# Statement of Operations

## IVY INTERNATIONAL VALUE FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$58) . . . . .	\$ 588
Interest and amortization . . . . .	72
Total income . . . . .	<u>660</u>
Expenses (Note 2):	
Investment management fee . . . . .	240
Distribution fee:	
Class A . . . . .	3
Class B . . . . .	63
Class C . . . . .	27
Shareholder servicing:	
Class A . . . . .	35
Class B . . . . .	26
Class C . . . . .	12
Class Y . . . . .	—*
Advisor Class . . . . .	—*
Service fee:	
Class A . . . . .	27
Class B . . . . .	21
Class C . . . . .	9
Class Y . . . . .	1
Registration fees . . . . .	31
Audit fees . . . . .	20
Accounting services fee . . . . .	15
Custodian fees . . . . .	13
Administrative fee . . . . .	3
Other . . . . .	16
Total expenses . . . . .	<u>562</u>
Net investment income . . . . .	<u>98</u>

### REALIZED AND UNREALIZED GAIN (LOSS)

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities . . . . .	2,305
Realized net loss on foreign currency transactions . . . . .	(17)
Realized net gain on investments . . . . .	<u>2,288</u>
Unrealized appreciation in value of investments during the period . . . . .	5,056
Net gain on investments . . . . .	<u>7,344</u>
Net increase in net assets resulting from operations . . . . .	<u>\$7,442</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY INTERNATIONAL VALUE FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income (loss) . . . . .	\$ 98	\$ (152)
Realized net gain on investments . . . . .	2,288	4,881
Unrealized appreciation. . . . .	5,056	291
Net increase in net assets resulting from operations . . . . .	7,442	5,020
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Advisor Class . . . . .	(—)	(—)
Realized gains on investment transactions:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Advisor Class . . . . .	(—)	(—)
	(—)	(—)
Capital share transactions (Note 5) . . . . .	5,129	(2,781)
Total increase . . . . .	12,571	2,239
<b>NET ASSETS</b>		
Beginning of period . . . . .	44,144	41,905
End of period . . . . .	\$56,715	\$44,144
Undistributed net investment income (loss) . . . . .	\$ 74	\$ (7)

(1) See "Financial Highlights" on pages 149 - 153.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL VALUE FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period. . . . .	\$11.61	\$10.14	\$ 9.73	\$7.65	\$9.10	\$11.01	\$11.99
Income (loss) from investment operations:							
Net investment							
income (loss) . . . . .	(0.01)	(0.02)	(0.01)	(0.02)	0.08 <sup>(1)</sup>	0.07	0.14
Net realized and unrealized gain (loss) on investments . . . . .	1.85	1.49	0.42	2.10	(1.53) <sup>(2)</sup>	(1.96) <sup>(2)</sup>	(1.01)
Total from investment operations. . . . .	1.84	1.47	0.41	2.08	(1.45)	(1.89)	(0.87)
Less distributions from:							
Net investment income. .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.04)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.07)
Total distributions. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.11)
Net asset value, end of period. . . . .	\$13.45	\$11.61	\$10.14	\$9.73	\$7.65	\$ 9.10	\$11.01
Total return <sup>(3)</sup> . . . . .	15.85%	14.50%	4.21%	27.19%	-15.93% <sup>(2)</sup>	-17.17% <sup>(2)</sup>	-7.25%
Net assets, end of period (in millions). . . . .	\$32	\$17	\$10	\$9	\$8	\$13	\$24
Ratio of expenses to average net assets including reimbursement . . . . .	1.94% <sup>(4)</sup>	1.99%	2.16% <sup>(4)</sup>	2.28%	1.77%	1.77%	1.74%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.69% <sup>(4)</sup>	0.09%	-0.41% <sup>(4)</sup>	-0.19%	0.91%	0.58%	0.96%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	2.32%	2.15%	1.92%
Ratio of net investment income to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	0.36%	0.20%	0.78%
Portfolio turnover rate . . . . .	43%	106%	23%	148%	48%	39%	36%

(1)Based on average shares outstanding.

(2)Includes redemption fees added to capital.

(3)Total return calculated without taking into account the sales load deducted on an initial purchase.

(4)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL VALUE FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended	For the fiscal year ended	For the fiscal period ended	For the fiscal year ended December 31,			
	9-30-05	3-31-05	3-31-04	2003	2002	2001	2000
Net asset value, beginning of period. . . . .	\$10.91	\$ 9.60	\$9.24	\$7.32	\$8.97	\$10.94	\$11.91
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	(0.02)	(0.08)	(0.03)	(0.08)	0.01 <sup>(1)</sup>	(0.02)	0.02
Net realized and unrealized gain (loss) on investments . . . . .	1.70	1.39	0.39	2.00	(1.66)	(1.93)	(0.96)
Total from investment operations. . . . .	1.68	1.31	0.36	1.92	(1.65)	(1.95)	(0.94)
Less distributions from:							
Net investment income. . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Total distributions. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.03)
Net asset value, end of period. . . . .	\$12.59	\$10.91	\$9.60	\$9.24	\$7.32	\$ 8.97	\$10.94
Total return . . . . .	15.40%	13.65%	3.90%	26.23%	-18.39%	-17.84%	-7.94%
Net assets, end of period (in millions) . . . . .	\$16	\$20	\$24	\$25	\$28	\$46	\$76
Ratio of expenses to average net assets including reimbursement . . . . .	2.73% <sup>(2)</sup>	2.76%	2.91% <sup>(2)</sup>	2.95%	2.50%	2.50%	2.51%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.18% <sup>(2)</sup>	-0.58%	-1.20% <sup>(2)</sup>	-0.82%	0.18%	-0.15%	0.20%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	3.05%	2.88%	2.69%
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	-0.37%	-0.53%	0.02%
Portfolio turnover rate . . . . .	43%	106%	23%	148%	48%	39%	36%

(1)Based on average shares outstanding.

(2)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL VALUE FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period. . . . .	\$10.90	\$ 9.59	\$9.23	\$7.32	\$8.97	\$10.94	\$11.92
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.00	(0.07)	(0.03)	(0.08)	0.01 <sup>(1)</sup>	(0.02)	0.02
Net realized and unrealized gain (loss) on investments . . . . .	1.68	1.38	0.39	1.99	(1.66)	(1.93)	(0.97)
Total from investment operations. . . . .	1.68	1.31	0.36	1.91	(1.65)	(1.95)	(0.95)
Less distributions from:							
Net investment income. . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)
Total distributions. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.03)
Net asset value, end of period. . . . .	\$12.58	\$10.90	\$9.59	\$9.23	\$7.32	\$ 8.97	\$10.94
Total return . . . . .	15.41%	13.66%	3.90%	26.09%	-18.39%	-17.84%	-7.97%
Net assets, end of period (in millions). . . . .	\$8	\$7	\$8	\$8	\$9	\$16	\$30
Ratio of expenses to average net assets including reimbursement . . . . .	2.76% <sup>(2)</sup>	2.79%	3.01% <sup>(2)</sup>	3.01%	2.50%	2.51%	2.51%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	0.03% <sup>(2)</sup>	-0.63%	-1.30% <sup>(2)</sup>	-0.82%	0.18%	-0.16%	0.19%
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	3.05%	2.89%	2.69%
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	-0.37%	-0.54%	0.01%
Portfolio turnover rate . . . . .	43%	106%	23%	148%	48%	39%	36%

(1)Based on average shares outstanding.

(2)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY INTERNATIONAL VALUE FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the period from 7-24-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$11.64	\$10.15	\$ 9.74	\$8.16
Income (loss) from investment operations:				
Net investment loss . . . . .	(0.01)	(0.01)	(0.01)	(0.01)
Net realized and unrealized gain on investments . . . . .	1.87	1.50	0.42	1.59
Total from investment operations . . . . .	1.86	1.49	0.41	1.58
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Net asset value, end of period . . . . .	<u>\$13.50</u>	<u>\$11.64</u>	<u>\$10.15</u>	<u>\$9.74</u>
Total return . . . . .	15.98%	14.68%	4.21%	19.36%
Net assets, end of period (in thousands) . . . . .	\$541	\$294	\$145	\$125
Ratio of expenses to average net assets . . . . .	1.82% <sup>(2)</sup>	1.82%	2.08% <sup>(2)</sup>	1.47% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets . . . . .	0.73% <sup>(2)</sup>	0.29%	-0.31% <sup>(2)</sup>	-0.38% <sup>(2)</sup>
Portfolio turnover rate . . . . .	43%	106%	23%	148% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the 12 months ended December 31, 2003.

See Notes to Financial Statements.



# Financial Highlights

## IVY INTERNATIONAL VALUE FUND

Advisor Class Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period. . . . .	\$11.52	\$10.04	\$ 9.63	\$7.54	\$9.14	\$11.03	\$11.99
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.08 <sup>(2)</sup>	0.03 <sup>(2)</sup>	(0.00)	0.67	0.10 <sup>(2)</sup>	0.11	0.50
Net realized and unrealized gain (loss) on investments . . . . .	1.76 <sup>(2)</sup>	1.45 <sup>(2)</sup>	0.41	1.42	(1.70) <sup>(2)</sup>	(1.98)	(1.33)
Total from investment operations. . . . .	1.84	1.48	0.41	2.09	(1.60)	(1.87)	(0.83)
Less distributions from:							
Net investment income. . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.05)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.08)
Total distributions. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.13)
Net asset value, end of period. . . . .	\$13.36	\$11.52	\$10.04	\$9.63	\$7.54	\$ 9.14	\$11.03
Total return . . . . .	15.97%	14.74%	4.26%	27.72%	-17.51%	-17.03%	-6.90%
Net assets, end of period (in thousands) . . . . .	\$7	\$31	\$41	\$39	\$124	\$377	\$668
Ratio of expenses to average net assets including reimbursement . . . . .	1.88% <sup>(3)</sup>	1.91%	1.62% <sup>(3)</sup>	2.59%	1.50%	1.47%	1.35%
Ratio of net investment income to average net assets including reimbursement . . . . .	1.31% <sup>(3)</sup>	0.29%	0.11% <sup>(3)</sup>	1.43%	1.18%	0.89%	1.36%
Ratio of net investment income to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	2.05%	1.85%	1.53%
Ratio of net investment income to average net assets excluding reimbursement . . . . .	NA	NA	NA	NA	0.63%	0.51%	1.18%
Portfolio turnover rate . . . . .	43%	106%	23%	148%	48%	39%	36%

(1)See Note 5 to financial statements.

(2)Based on average shares outstanding.

(3)Annualized.

See Notes to Financial Statements.

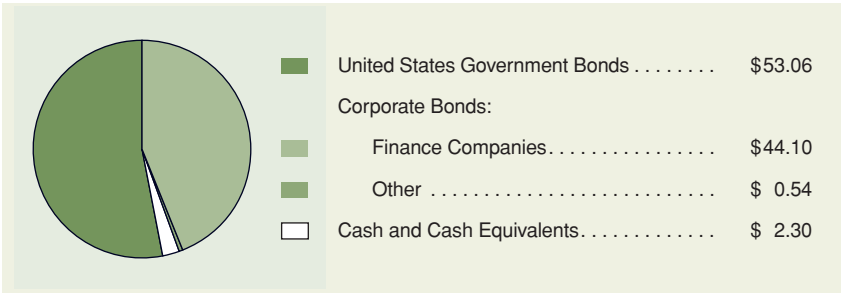
SHAREHOLDER SUMMARY OF IVY MORTGAGE SECURITIES FUND

Portfolio Highlights

On September 30, 2005, Ivy Mortgage Securities Fund had net assets totaling \$259,146,236 invested in a diversified portfolio of:

53.06%	United States Government Bonds
44.64%	Corporate Bonds
2.30%	Cash and Cash Equivalents

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



# The Investments of Ivy Mortgage Securities Fund

September 30, 2005

CORPORATE DEBT SECURITIES	Principal Amount in Thousands	Value
<b>Finance Companies – 44.10%</b>		
277 Park Avenue Finance Corporation, 7.58%, 5–12–12 (A) .....	\$ 175	\$ 180,443
ABFS Mortgage Loan Trust 2001–2, 6.99%, 12–25–31 .....	1,851	1,877,037
ABFS Mortgage Loan Trust 2002–4, 7.423%, 12–15–33 .....	1,485	1,504,601
Asset Securitization Corporation (Interest Only):		
1.6584%, 10–13–26 (A) .....	9,305	329,626
2.33%, 8–13–29 .....	7,643	630,266
Associates Manufactured Housing Contract Pass-Through Certificates, 7.9%, 3–15–27 .....	1,800	1,894,787
Banc of America Alternative Loan Trust 2004–11, 6.0%, 12–25–34 .....	1,745	1,750,781
Banc of America Alternative Loan Trust 2005–6, 6.0%, 7–25–35 .....	1,170	1,174,548
Banc of America Commercial Mortgage Inc., Commercial Mortgage Pass-Through Certificates:		
Series 2001-PB1, 6.15%, 5–11–35 (A) .....	2,000	2,062,330
Series 2002–2, 6.2%, 7–11–43 (A) .....	1,200	1,221,619
Banc of America Funding 2004–2 Trust, 6.5%, 7–20–32 .....	1,271	1,309,763
Banc of America Funding Corporation, 5.01850%, 9–20–34 .....	1,607	1,591,524
Banc of America Mortgage Trust 2004–2:		
5.0%, 3–25–19 .....	338	331,504
5.0%, 3–25–19 .....	263	255,986
Banc of America Mortgage Trust 2004–3:		
4.875%, 4–25–19 .....	456	444,560
4.875%, 4–25–19 .....	244	236,035
Banc of America Structured Securities Trust 2002-X1 F, 6.274%, 10–11–33 (A) .....	1,750	1,839,991
Banco Hipotecario Nacional:		
7.916%, 7–25–09 (A) .....	23	582
2.57%, 3–25–11 (A) .....	10	250
7.54%, 5–31–17 (A) .....	124	6,193

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2005

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies (Continued)</b>		
Bank of America Mortgage Securities, Inc., 5.75%, 8-25-34 .....	\$1,488	\$ 1,487,763
BankAmerica Manufactured Housing Contract Trust: 7.8%, 10-10-26 .....	2,000	2,078,638
7.015%, 1-10-28 .....	1,448	1,488,803
Bear Stearns Commercial Mortgage Securities Trust 2005-PWR9, 4.943%, 9-11-42 .....	1,850	1,830,761
BlackRock Capital Finance, 7.75%, 9-25-26 (A) .....	899	911,272
C-Bass Mortgage Loan Asset-Backed Certificates: Series 2005-CB1, 4.974%, 1-25-35 .....	2,800	2,744,987
Series 2005-CB3, 5.109%, 12-25-34 .....	1,254	1,224,950
Series 2005-CB6, 4.27063%, 7-25-35 .....	590	590,000
CHL Mortgage Pass-Through Trust 2003-28, 4.15%, 8-25-33 .....	1,500	1,409,191
Centex Home Equity Loan Trust 2005-C, 5.048%, 6-25-35 .....	2,301	2,261,421
Charlie Mac Trust 2004-2, 5.0%, 10-25-34 .....	2,743	2,668,504
Chase Mortgage Finance Trust: Series 2003-S2, 5.0%, 3-25-18 .....	1,293	1,290,255
Series 2003-S11, 5.5%, 10-25-33 .....	1,077	1,066,968
Citicorp Mortgage Securities, Inc., 6.27124%, 9-25-14 .....	370	369,409
Collateralized Mortgage Obligation Trust, 5.0%, 7-1-18 .....	45	45,378
Conseco Finance Securitizations Corp., 6.981%, 6-15-32 .....	1,200	1,221,563
CountryPlace Manufactured Housing Contract Trust 2005-1: 4.42%, 12-15-35 (A) .....	1,050	1,035,796
4.8%, 12-15-35 (A) .....	1,275	1,248,624
Countrywide Home Loans, Inc. Asset-Backed Certificates, Series 2005-10, 4.915%, 2-25-36 .....	5,000	4,912,791

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2005

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies (Continued)</b>		
Credit Suisse First Boston Mortgage Securities Corp., 6.0%, 11-25-18 .....	\$ 869	\$ 878,851
FFCA Secured Lending Corporation:		
4.88938%, 2-18-22 (A) .....	1,500	1,400,421
5.13938%, 2-18-22 (A) .....	1,000	925,397
First Franklin Mortgage Loan Trust 2004-FFB, 5.7341%, 6-25-24 .....	2,175	2,190,790
GMAC Commercial Mortgage Securities, 5.94%, 7-1-13 (A) .....	307	307,213
GRMT Fairbanks Trust, 5.89625%, 6-20-32 (A) .....	798	805,583
Global Mortgage Securitization 2005-A Ltd. and Global Mortgage Securitization 2005-A LLC, 5.25%, 4-25-32 .....	881	854,193
Global Mortgage Securitization Ltd. and Global Mortgage Securitization, LLC:		
5.25%, 11-25-32 (A) .....	1,230	1,203,263
5.25%, 11-25-32 (A) .....	573	563,441
Green Tree Financial Corporation:		
7.65%, 4-15-19 .....	1,089	1,132,440
8.3%, 11-15-19 .....	272	283,965
9.1%, 4-15-25 .....	1,075	1,344,302
Hilton Hotel Pool Trust:		
4.21625%, 10-3-15 (A) .....	500	502,870
7.653%, 10-3-15 (A) .....	1,345	1,440,877
Home Equity Loan Trust 2003-HS2, 5.09%, 7-25-33 .....	1,000	990,718
J.P. Morgan Chase Commercial Mortgage Securities Corp., 6.2207%, 10-12-37 (A) .....	2,300	2,422,731
J.P. Morgan Mortgage Trust 2004-A3, 4.32075%, 7-25-34 .....	1,785	1,743,299
J.P. Morgan Mortgage Trust 2005-S2, 5.66485%, 9-25-35 .....	2,320	2,315,921
LB Commercial Mortgage Trust, 6.0%, 10-15-35 (A) .....	1,780	1,812,285
Lehman ABS Manufactured Housing Contract Trust 2001-B, 5.873%, 5-15-22 .....	1,109	1,126,131

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2005

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies (Continued)</b>		
MASTR Asset Securitization Trust 2003-10, 5.5%, 11-25-33 .....	\$ 1,719	\$ 1,707,755
MMCA Automobile Trust 2002-1, 5.37%, 1-15-10 .....	790	788,989
Metropolitan Asset Funding, Inc., 6.98%, 5-20-12 (A) .....	104	104,130
Mid-State Capital Corporation 2004-1 Trust:		
6.005%, 8-15-37 .....	448	463,158
6.497%, 8-15-37 .....	1,630	1,655,651
Mid-State Trust:		
7.34%, 7-1-35 .....	1,742	1,834,384
7.4%, 7-1-35 .....	1,644	1,727,019
7.79%, 7-1-35 .....	722	758,645
Money Store Trust 1998-B (The), 3.91813%, 8-15-29 .....	2,493	2,492,699
Multi Security Asset Trust LP, Commercial Mortgage- Backed Securities Pass-Through Certificates, Series 2005-RR4:		
1.0668%, 11-28-35 (Interest Only) (A) .....	33,476	1,181,214
5.88%, 11-28-35 (A) .....	680	654,299
5.88%, 11-28-35 (A) .....	340	335,755
NationsLink Funding Corporation, Commercial Mortgage Pass-Through Certificates, Series 1998-2, 5.0%, 8-20-30 (A) .....	1,000	948,326
Nomura Asset Securities Corporation, Commercial Mortgage Pass-Through Certificates, Series 1998-D6, 6.0%, 3-15-30 (A) .....	1,650	1,719,607
Oakwood Mortgage Investors, Inc.:		
8.1%, 10-15-21 (A) .....	697	711,681
7.375%, 8-15-27 .....	622	640,006
Origen Manufactured Housing Contract Trust 2004-A:		
2.02%, 10-15-13 .....	51	50,931
5.7%, 1-15-35 .....	543	548,112
5.91%, 1-15-35 .....	1,600	1,614,918
Origen Manufactured Housing Contract Trust 2004-B, 4.75%, 8-15-21 .....	400	390,609
Origen Manufactured Housing Contract Trust 2005-A, 4.97%, 10-15-21 .....	935	929,116

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2005

CORPORATE DEBT SECURITIES (Continued)	Principal Amount in Thousands	Value
<b>Finance Companies (Continued)</b>		
Paine Webber Mortgage Acceptance Corporation, 7.655%, 1-2-12 (A) .....	\$2,450	\$ 2,534,314
Prudential Home Mortgage Securities:		
6.98%, 9-28-08 (A) .....	22	22,198
6.73%, 4-28-24 (A) .....	7	6,824
8.03304%, 9-28-24 (A) .....	37	36,634
RALI Series 2003-QS11 Trust, 5.75%, 6-25-33 .....	2,580	2,595,613
RAMP Series 2003-RS11 Trust, 6.092%, 12-25-33 .....	2,000	2,010,457
RAMP Series 2005-RS1 Trust, 5.145%, 1-25-35 .....	1,075	1,056,792
RFMSI Series 2004-S5 Trust:		
4.5%, 5-25-19 .....	381	363,645
4.5%, 5-25-19 .....	190	179,635
Salomon Brothers Mortgage Securities VII, Inc., Mortgage Pass-Through Certificates, Series 1997-HUD1, 7.75%, 12-25-30 .....	2,016	2,106,550
Sequoia Mortgage Funding Company, 6.38%, 8-28-31 (A) .....	59	59,164
Structured Asset Mortgage Investments, Inc.:		
6.75%, 4-30-30 .....	27	27,268
6.75%, 4-30-30 .....	12	12,404
Structured Asset Securities Corporation:		
5.63%, 5-25-34 .....	1,100	1,096,405
6.0%, 6-25-34 .....	2,750	2,768,037
Vanderbilt Mortgage and Finance, Inc.:		
7.525%, 7-7-14 .....	112	113,202
7.07%, 12-7-14 .....	384	389,257
7.955%, 12-7-24 .....	1,000	1,061,870
7.525%, 11-7-26 .....	915	949,634
Wells Fargo Mortgage Backed Securities:		
2003-K Trust (The), 4.52024%, 11-25-33 .....	1,200	1,178,979
2004-1 Trust (The), 5.5%, 2-25-34 .....	1,690	1,674,768
		<b>114,274,845</b>

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2005

<b>CORPORATE DEBT SECURITIES</b> (Continued)	<b>Principal Amount in Thousands</b>	<b>Value</b>
<b>Real Estate Investment Trust – 0.29%</b>		
Covenant Retirement Communities, Inc., 7.0%, 6–1–06 .....	\$ 750	<u>\$ 750,074</u>
<b>Security and Commodity Brokers – 0.25%</b>		
Bear Stearns Mortgage Securities Inc., 8.0%, 11–25–29 .....	658	<u>656,487</u>
<b>TOTAL CORPORATE DEBT SECURITIES – 44.64%</b>		<b>\$115,681,406</b>
(Cost: \$117,032,448)		

## **UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS**

### **Mortgage-Backed Obligations**

#### **Federal Home Loan Mortgage Corporation Fixed Rate**

##### **Participation Certificates:**

6.0%, 4–1–17 .....	2,124	2,182,574
5.5%, 12–1–17 .....	1,015	1,031,965
5.5%, 9–1–19 .....	2,047	2,077,557
5.5%, 5–1–20 .....	2,180	2,211,994
3.5%, 2–15–30 .....	2,000	1,892,785
6.5%, 9–1–32 .....	1,518	1,573,812
5.5%, 5–1–34 .....	1,706	1,713,010
5.5%, 5–1–34 .....	1,262	1,267,084
6.5%, 5–1–34 .....	1,385	1,424,526
5.5%, 10–1–34 .....	1,382	1,384,277
5.5%, 7–1–35 .....	3,926	3,928,398
5.5%, 10–1–35 .....	5,275	5,275,000

#### **Federal National Mortgage Association Fixed Rate**

##### **Pass-Through Certificates:**

6.0%, 1–1–18 .....	681	700,588
5.5%, 2–1–18 .....	636	646,233
5.5%, 3–1–18 .....	2,985	3,029,946
5.0%, 5–1–18 .....	1,911	1,908,951
5.0%, 10–1–18 .....	2,002	1,998,420
5.0%, 11–1–19 .....	2,000	1,994,376
5.5%, 10–1–20 .....	3,500	3,550,313
5.5%, 2–1–24 .....	728	732,874
6.0%, 8–1–29 .....	576	586,997
7.0%, 11–1–31 .....	292	306,447
6.5%, 2–1–32 .....	264	272,768

See Notes to Schedule of Investments on page 163.



# The Investments of Ivy Mortgage Securities Fund

September 30, 2005

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS (Continued)		Principal Amount in Thousands	Value
<b>Mortgage-Backed Obligations (Continued)</b>			
Federal National Mortgage Association Fixed Rate			
Pass-Through Certificates (Continued):			
6.5%, 2-1-32 .....	\$ 217	\$	224,085
6.5%, 2-1-32 .....	191		198,022
7.0%, 2-1-32 .....	381		400,490
7.0%, 3-1-32 .....	534		561,645
6.5%, 4-1-32 .....	112		116,013
6.5%, 5-1-32 .....	206		213,221
6.5%, 7-1-32 .....	1,010		1,050,765
6.0%, 9-1-32 .....	215		219,936
6.0%, 10-1-32 .....	1,347		1,378,011
6.0%, 10-1-32 .....	1,304		1,336,239
6.5%, 10-1-32 .....	100		103,664
6.0%, 11-1-32 .....	1,160		1,189,137
6.0%, 11-1-32 .....	680		697,260
6.0%, 3-1-33 .....	1,727		1,770,074
6.0%, 3-1-33 .....	1,596		1,632,483
6.0%, 3-1-33 .....	1,213		1,243,126
6.0%, 3-1-33 .....	333		341,176
5.5%, 4-1-33 .....	2,203		2,205,989
5.5%, 5-1-33 .....	766		765,826
5.5%, 5-1-33 .....	384		384,915
6.0%, 6-1-33 .....	2,381		2,420,743
5.0%, 11-1-33 .....	2,117		2,076,844
6.0%, 12-1-33 .....	729		745,657
5.0%, 1-1-34 .....	2,083		2,044,251
5.0%, 3-1-34 .....	4,364		4,282,344
5.0%, 3-1-34 .....	475		466,068
5.5%, 3-1-34 .....	3,380		3,392,400
5.5%, 4-1-34 .....	2,559		2,568,153
5.5%, 4-1-34 .....	3,048		3,047,724
5.0%, 5-1-34 .....	223		218,145
5.5%, 7-1-34 .....	2,277		2,284,845
6.0%, 8-1-34 .....	823		837,048
5.5%, 9-1-34 .....	1,826		1,828,086
6.0%, 9-1-34 .....	1,505		1,530,742
6.5%, 9-1-34 .....	2,791		2,872,318
5.5%, 10-1-34 .....	2,580		2,581,350
5.5%, 11-1-34 .....	987		987,595
6.0%, 11-1-34 .....	731		743,642
6.5%, 11-1-34 .....	138		141,979

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2005

UNITED STATES GOVERNMENT AND GOVERNMENT AGENCY OBLIGATIONS (Continued)		Principal Amount in Thousands	Value
<b>Mortgage-Backed Obligations (Continued)</b>			
Federal National Mortgage Association Fixed Rate			
Pass-Through Certificates (Continued):			
6.0%, 12-1-34 .....	\$ 7,445	\$	7,570,576
5.5%, 1-1-35 .....	931		931,019
5.5%, 2-1-35 .....	3,351		3,353,907
5.5%, 2-1-35 .....	2,635		2,636,050
5.5%, 2-1-35 .....	1,438		1,437,598
4.802%, 3-1-35 .....	3,045		3,027,273
5.0%, 3-1-35 .....	243		238,257
6.5%, 3-1-35 .....	2,070		2,132,411
6.0%, 4-1-35 .....	2,534		2,576,739
5.0%, 5-1-35 .....	1,006		985,324
5.176%, 6-1-35 .....	1,462		1,464,721
6.0%, 6-1-35 .....	3,704		3,766,729
5.5%, 7-1-35 .....	998		997,693
Government National Mortgage Association Agency			
REMIC/CMO (Interest Only):			
1.30541%, 3-16-34 .....	8,835		494,489
1.1722%, 7-16-40 .....	8,568		412,918
0.37035%, 3-16-42 .....	21,393		377,985
0.979%, 6-17-45 .....	20,526		1,250,266
Government National Mortgage Association Fixed			
Rate Pass-Through Certificates:			
7.875%, 5-15-17 .....	699		730,304
6.25%, 7-15-24 .....	357		372,508
5.0%, 11-15-33 .....	813		805,951
5.0%, 7-15-34 .....	1,206		1,194,600
5.5%, 12-15-34 .....	2,310		2,332,328
5.5%, 12-15-34 .....	1,488		1,502,476
5.5%, 12-15-34 .....	812		819,958
5.5%, 10-1-35 .....	2,840		2,865,736
United States Department of Veterans Affairs,			
Guaranteed REMIC Pass-Through Certificates,			
Vendee Mortgage Trust:			
1995-1 Class 1,			
7.21251%, 2-15-25 .....	311		325,388
1995-1 Class 2,			
7.7925%, 2-15-25 .....	110		115,390
<b>TOTAL UNITED STATES GOVERNMENT AND</b>			
<b>GOVERNMENT AGENCY OBLIGATIONS – 53.06%</b>			<b>\$137,511,500</b>
(Cost: \$139,089,962)			

See Notes to Schedule of Investments on page 163.

# The Investments of Ivy Mortgage Securities Fund

September 30, 2005

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
<b>Finance Companies – 3.08%</b>		
PACCAR Financial Corp., 3.7%, 10–5–05 . . . . .	\$3,000	\$ 2,998,767
Prudential Funding LLC, 3.7%, 10–13–05 . . . . .	5,000	4,993,833
		<u>7,992,600</u>
<b>Household – General Products – 1.15%</b>		
Fortune Brands Inc., 3.87%, 10–17–05 . . . . .	2,985	<u>2,979,866</u>
<b>Publishing – 1.42%</b>		
Tribune Co., 3.91%, 10–3–05 . . . . .	3,668	<u>3,667,203</u>
<b>Utilities – Telephone – 1.43%</b>		
SBC Communications Inc., 3.65%, 10–12–05 . . . . .	3,700	<u>3,695,874</u>
<b>TOTAL SHORT-TERM SECURITIES – 7.08%</b>		<b>\$ 18,335,543</b>
(Cost: \$18,335,543)		
<b>TOTAL INVESTMENT SECURITIES – 104.78%</b>		<b>\$271,528,449</b>
(Cost: \$274,457,953)		
<b>LIABILITIES, NET OF CASH<sup>(B)</sup> AND OTHER ASSETS – (4.78%)</b>		<b>(12,382,213)</b>
<b>NET ASSETS – 100.00%</b>		<b>\$259,146,236</b>

## Notes to Schedule of Investments

Certain acronyms are used within the body of the Fund's holdings. The definitions of these acronyms are as follows: REMIC – Real Estate Mortgage Investment Conduit; CMO – Collateralized Mortgage Obligation.

(A) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of these securities amounted to \$28,534,953 or 11.01% of net assets.

(B) Cash serves as collateral for the following open futures contract at September 30, 2005. (See Note 8 to financial statements):

Type	Number of Contracts	Expiration Date	Market Value	Cost
United States Treasury Note	60	20-Dec-05	<u>\$6,595,313</u>	<u>\$6,743,138</u>

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY MORTGAGE SECURITIES FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$274,458) (Notes 1 and 3) . . . . .	\$271,528
Initial margin deposit . . . . .	45
Receivables:	
Investment securities sold . . . . .	5,670
Dividends and interest . . . . .	1,269
Fund shares sold . . . . .	994
Variation margin . . . . .	20
Prepaid and other assets . . . . .	105
Total assets . . . . .	<u>279,631</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	19,438
Payable to Fund shareholders . . . . .	501
Due to custodian . . . . .	190
Accrued management fee (Note 2) . . . . .	106
Dividends payable . . . . .	97
Accrued shareholder servicing (Note 2) . . . . .	75
Accrued service fee (Note 2) . . . . .	53
Accrued distribution fee (Note 2) . . . . .	17
Accrued accounting services fee (Note 2) . . . . .	8
Total liabilities . . . . .	<u>20,485</u>
Total net assets . . . . .	<u>\$259,146</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$262,069
Accumulated undistributed loss:	
Accumulated undistributed net realized loss	
on investment transactions . . . . .	(141)
Net unrealized depreciation in value of investments . . . . .	(2,782)
Net assets applicable to outstanding units of capital . . . . .	<u>\$259,146</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$10.66
Class B . . . . .	\$10.66
Class C . . . . .	\$10.66
Class Y . . . . .	\$10.66
Capital shares outstanding:	
Class A . . . . .	21,027
Class B . . . . .	920
Class C . . . . .	1,693
Class Y . . . . .	663

See Notes to Financial Statements.

# Statement of Operations

## IVY MORTGAGE SECURITIES FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Interest and amortization .....	\$6,338
Expenses (Note 2):	
Investment management fee .....	590
Shareholder servicing:	
Class A .....	287
Class B .....	22
Class C .....	23
Class Y .....	5
Service fee:	
Class A .....	239
Class B .....	11
Class C .....	20
Class Y .....	8
Distribution fee:	
Class A .....	17
Class B .....	33
Class C .....	60
Accounting services fee .....	46
Registration fees .....	41
Custodian fees .....	20
Audit fees .....	14
Other .....	57
Total .....	1,493
Less expenses in excess of contractual limit (Note 2) .....	(238)
Total expenses .....	1,255
Net investment income .....	5,083

### REALIZED AND UNREALIZED GAIN (LOSS)

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net loss on investments .....	(73)
Unrealized depreciation in value of investments during the period .....	(716)
Net loss on investments .....	(789)
Net increase in net assets resulting from operations .....	<u>\$4,294</u>

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY MORTGAGE SECURITIES FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 5,083	\$ 7,628
Realized net gain (loss) on investments .....	(73)	333
Unrealized depreciation .....	(716)	(4,568)
Net increase in net assets resulting from operations .....	4,294	3,393
Distributions to shareholders from (Note 1F): <sup>(1)</sup>		
Net investment income:		
Class A .....	(4,533)	(7,110)
Class B .....	(140)	(133)
Class C .....	(272)	(203)
Class Y .....	(138)	(170)
Realized gains on investment transactions:		
Class A .....	(—)	(153)
Class B .....	(—)	(5)
Class C .....	(—)	(8)
Class Y .....	(—)	(4)
	(5,083)	(7,786)
Capital share transactions (Note 5) .....	47,206	76,977
Total increase .....	46,417	72,584
<b>NET ASSETS</b>		
Beginning of period .....	212,729	140,145
End of period .....	\$259,146	\$212,729
Undistributed net investment income .....	\$ —	\$ —

(1) See "Financial Highlights" on pages 167 - 170.

See Notes to Financial Statements.

# Financial Highlights

## IVY MORTGAGE SECURITIES FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended September 30,			
				2003	2002	2001	2000
Net asset value,							
beginning of period. . . . .	\$10.68	\$10.96	\$10.97	\$11.07	\$10.99	\$10.37	\$10.30
Income (loss) from							
investment operations:							
Net investment income. . .	0.23	0.49	0.25	0.59	0.70	0.73	0.69
Net realized and							
unrealized gain (loss)							
on investments. . . . .	(0.02)	(0.27)	0.03	(0.12)	0.11	0.65	0.09
Total from investment							
operations. . . . .	0.21	0.22	0.28	0.47	0.81	1.38	0.78
Less distributions from:							
Net investment income. . .	(0.23)	(0.49)	(0.25)	(0.57)	(0.72)	(0.72)	(0.70)
Capital gains. . . . .	(0.00)	(0.01)	(0.04)	(0.00)	(0.00)	(0.00)	(0.00)
Tax return of capital. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.04)	(0.01)
Total distributions. . . . .	(0.23)	(0.50)	(0.29)	(0.57)	(0.73)	(0.76)	(0.71)
Net asset value,							
end of period. . . . .	\$10.66	\$10.68	\$10.96	\$10.97	\$11.07	\$10.99	\$10.37
Total return <sup>(1)</sup> . . . . .	2.06%	2.12%	2.70%	4.19% <sup>(2)</sup>	7.88%	13.90%	7.70%
Net assets, end of period							
(in millions). . . . .	\$224	\$188	\$134	\$91	\$67	\$42	\$32
Ratio of expenses to average							
net assets including							
reimbursement. . . . .	0.95% <sup>(3)</sup>	0.95%	1.05% <sup>(3)(4)</sup>	0.97%	0.95%	0.95%	0.95%
Ratio of net investment							
income to average net							
assets including							
reimbursement. . . . .	4.42% <sup>(3)</sup>	4.59%	4.56% <sup>(3)(4)</sup>	5.27%	6.24%	6.75%	6.81%
Ratio of expenses to average							
net assets excluding							
reimbursement. . . . .	1.18% <sup>(3)</sup>	1.23%	1.38% <sup>(3)(4)</sup>	1.12%	1.21%	1.31%	1.32%
Ratio of net investment							
income to average net							
assets excluding							
reimbursement. . . . .	4.19% <sup>(3)</sup>	4.31%	4.22% <sup>(3)(4)</sup>	5.12 %	5.98%	6.39%	6.44%
Portfolio turnover rate. . . . .	96%	200%	57%	83 %	99%	55%	65%

(1) Total return calculated without taking into account the sales load deducted on an initial purchase.

(2) Advantus Capital reimbursed the Fund for losses related to certain investment trades. With reimbursed losses, the total return for Class A, for the year ended September 30, 2003, would have been 4.28%.

(3) Annualized.

(4) In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown reflect a blended rate that includes income and expenses for those Class B and Class C shares before October 1, 2003 up to the time of merger. Expenses for Class A shares before and after the merger were limited to 0.95% of average net assets.

See Notes to Financial Statements.

# Financial Highlights

## IVY MORTGAGE SECURITIES FUND

*Class B Shares*

*For a Share of Capital Stock Outstanding Throughout Each Period:*

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$10.68	\$10.96	\$10.87
Income (loss) from investment operations:			
Net investment income . . . . .	0.17	0.37	0.12
Net realized and unrealized gain (loss) on investments. . . . .	(0.02)	(0.27)	0.13
Total from investment operations . . . . .	0.15	0.10	0.25
Less distributions from:			
Net investment income . . . . .	(0.17)	(0.37)	(0.12)
Capital gains . . . . .	(0.00)	(0.01)	(0.04)
Total distributions . . . . .	(0.17)	(0.38)	(0.16)
Net asset value, end of period . . . . .	\$10.66	\$10.68	\$10.96
Total return . . . . .	1.45%	0.92%	2.32%
Net assets, end of period (in millions) . . . . .	\$10	\$7	\$1
Ratio of expenses to average net assets. . . . .	2.15% <sup>(2)</sup>	2.16%	1.89% <sup>(2)</sup>
Ratio of net investment income to average net assets . . . . .	3.23% <sup>(2)</sup>	3.29%	3.59% <sup>(2)</sup>
Portfolio turnover rate . . . . .	96%	200%	57% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the six months ended March 31, 2004.

See Notes to Financial Statements.



# Financial Highlights

## IVY MORTGAGE SECURITIES FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$10.68	\$10.96	\$10.87
Income (loss) from investment operations:			
Net investment income . . . . .	0.18	0.38	0.12
Net realized and unrealized gain (loss) on investments. . . . .	(0.02)	(0.27)	0.13
Total from investment operations . . . . .	0.16	0.11	0.25
Less distributions from:			
Net investment income . . . . .	(0.18)	(0.38)	(0.12)
Capital gains . . . . .	(0.00)	(0.01)	(0.04)
Total distributions . . . . .	(0.18)	(0.39)	(0.16)
Net asset value, end of period . . . . .	\$10.66	\$10.68	\$10.96
Total return . . . . .	1.56%	1.05%	2.32%
Net assets, end of period (in millions) . . . . .	\$18	\$12	\$2
Ratio of expenses to average net assets. . . . .	1.94% <sup>(2)</sup>	2.03%	1.86% <sup>(2)</sup>
Ratio of net investment income to average net assets . . . . .	3.43% <sup>(2)</sup>	3.41%	3.61% <sup>(2)</sup>
Portfolio turnover rate . . . . .	96%	200%	57% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the six months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY MORTGAGE SECURITIES FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$10.68	\$10.96	\$10.87
Income (loss) from investment operations:			
Net investment income . . . . .	0.23	0.48	0.15
Net realized and unrealized gain (loss) on investments. . . . .	(0.02)	(0.27)	0.13
Total from investment operations . . . . .	0.21	0.21	0.28
Less distributions from:			
Net investment income . . . . .	(0.23)	(0.48)	(0.15)
Capital gains . . . . .	(0.00)	(0.01)	(0.04)
Total distributions . . . . .	(0.23)	(0.49)	(0.19)
Net asset value, end of period . . . . .	\$10.66	\$10.68	\$10.96
Total return . . . . .	2.01%	1.95%	2.56%
Net assets, end of period (in millions) . . . . .	\$7	\$6	\$3
Ratio of expenses to average net assets. . . . .	1.05% <sup>(2)</sup>	1.12%	1.09% <sup>(2)</sup>
Ratio of net investment income to average net assets . . . . .	4.32% <sup>(2)</sup>	4.41%	4.38% <sup>(2)</sup>
Portfolio turnover rate . . . . .	96%	200%	57% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the six months ended March 31, 2004.

See Notes to Financial Statements.

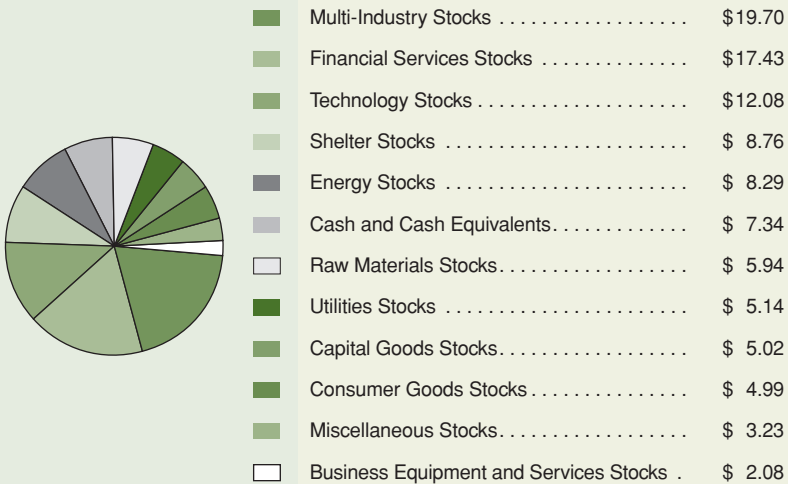
## 7SHAREHOLDER SUMMARY OF IVY PACIFIC OPPORTUNITIES FUND

### Portfolio Highlights

On September 30, 2005, Ivy Pacific Opportunities Fund had net assets totaling \$122,533,570 invested in a diversified portfolio of:

92.66%	Common Stocks
7.34%	Cash and Cash Equivalents

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund was invested by geographic region and by industry, respectively, as follows:



# The Investments of Ivy Pacific Opportunities Fund

September 30, 2005

COMMON STOCKS	Shares	Value
<b>Australia – 3.28%</b>		
BHP Billiton Plc (A) .....	87,170	\$ 1,479,087
Novogen LTD (A)* .....	260,510	959,552
Rio Tinto Limited (A) .....	35,020	1,579,408
		<b>4,018,047</b>
<b>China – 14.93%</b>		
Aluminum Corporation of China Limited, H Shares (A) .....	922,000	582,386
China Medical Technologies, Inc.* .....	50,000	1,104,250
China Mobile (Hong Kong) Limited (A) .....	260,000	1,273,623
China Netcom Group Corporation (Hong Kong) Limited (A) .....	916,500	1,577,239
China Petroleum & Chemical Corporation, H Shares (A) ..	4,500,000	2,059,324
China Resources Power Holdings Company Limited (A) .....	500,000	319,050
China Resources Power Holdings Company Limited (A)(B) .....	1,000,000	638,100
China Shenhua Energy Company Limited, H shares (A)(B)* .....	1,500,000	1,759,610
China Yurun Food Group Limited (A)(B)* .....	2,000,000	953,928
eLong, Inc., ADR* .....	39,950	496,579
Heng Tai Consumables Group Limited (A) .....	3,110,000	549,243
PetroChina Company Limited (A)(B) .....	2,000,000	1,675,819
PORTS DESIGN LIMITED (A) .....	500,000	567,200
PORTS DESIGN LIMITED (A)(B) .....	500,000	567,200
Seec Media Group Limited (A) .....	3,000,000	135,355
Sino-Forest Corporation, Class A (A)* .....	208,360	603,916
Sino-Forest Corporation, Class A (A)(B)* .....	217,000	628,959
The9 Limited, ADR* .....	20,000	374,800
Wah Sang Gas Holdings Limited (A)(C)* .....	736,000	15,180
Weichai Power Co., Ltd. (A) .....	500,000	1,111,842
ZTE Corporation, H Shares (A) .....	400,000	1,301,983
		<b>18,295,586</b>
<b>Hong Kong – 11.58%</b>		
ASM Pacific Technology Limited (A) .....	250,000	1,216,580
Cheung Kong (Holdings) Limited (A) .....	220,000	2,484,338
Chitaly Holdings Limited (A) .....	1,240,000	703,328
Dah Sing Financial Holdings Limited (A) .....	200,010	1,340,722
GST Holdings Limited (A)(B)* .....	2,250,000	382,860
Hutchison Whampoa Limited, Ordinary Shares (A) .....	180,000	1,862,093
Lee & Man Paper Manufacturing Limited (A) .....	670,000	634,813
Lee & Man Paper Manufacturing Limited (A)(B) .....	400,000	378,993

See Notes to Schedule of Investments on page 175.

# The Investments of Ivy Pacific Opportunities Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Hong Kong (Continued)</b>		
Pacific Basin Shipping Limited (A)(B) .....	1,700,000	\$ 838,232
Panva Gas Holdings Limited (A)* .....	1,223,000	559,679
Sinolink Worldwide Holdings Limited (A) .....	5,678,000	1,229,670
Sun Hung Kai Properties Limited (A) .....	100,000	1,035,785
Wharf (Holdings) Limited (The) (A) .....	392,000	1,528,605
		<b>14,195,698</b>
<b>India – 3.78%</b>		
Infosys Technologies Limited (A) .....	30,000	1,715,746
Jet Airways (India) Private Limited (A)(B)* .....	12,000	304,472
ONGC Videsh Limited (A) .....	108,460	2,614,524
		<b>4,634,742</b>
<b>Indonesia – 0.69%</b>		
PT Astra International Tbk (A) .....	500,000	473,301
PT International Nickel Indonesia Tbk (A) .....	245,000	368,689
		<b>841,990</b>
<b>Malaysia – 5.61%</b>		
Arab-Malaysian Corporation Berhad (A)* .....	2,500,000	729,637
Genting Berhad (A) .....	200,000	1,135,580
IOI Corporation Berhad (A) .....	400,000	1,262,935
iShares MSCI Malaysia Index Fund .....	268,250	1,963,590
Malayan Banking Berhad (A) .....	151,400	465,970
Malaysia International Shipping Corporation Berhad (A) .....	185,100	913,468
Maxis Communications Berhad (A) .....	160,000	401,167
		<b>6,872,347</b>
<b>Singapore – 7.63%</b>		
DBS Group Holdings Ltd (A) .....	250,000	2,334,377
Keppel Corporation Limited (A) .....	230,000	1,726,257
Keppel Land Limited (A) .....	750,000	1,639,974
SembCorp Industries Ltd (A) .....	611,000	1,083,269
Singapore Telecommunications Limited (A) .....	1,000,000	1,447,905
Venture Corporation Limited (A) .....	130,000	1,114,000
		<b>9,345,782</b>
<b>South Korea – 23.51%</b>		
Cheil Industries Inc. (A) .....	57,230	1,229,808
Daelim Industrial Co., Ltd. (A) .....	17,060	1,204,543
Hana Bank (A) .....	109,000	4,025,806
Honam Petrochemical Corp. (A)* .....	30,000	1,496,546
Hynix Semiconductor Inc. (A)* .....	22,000	485,418
Hyundai Mipo Dockyard Co., Ltd. (A) .....	22,000	1,582,886
Hyundai Motor Company (A) .....	30,000	2,345,549
KT Corporation (A) .....	24,530	1,036,595
Kookmin Bank (A) .....	66,500	3,923,398
Kyeryong Construction Industrial Co. Ltd (A) .....	46,000	1,215,752

See Notes to Schedule of Investments on page 175.

# The Investments of Ivy Pacific Opportunities Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>South Korea (Continued)</b>		
LG Chem, Ltd. (A) .....	18,500	\$ 796,863
SK Corporation (A) .....	25,000	1,450,979
SK Telecom Co., Ltd. (A) .....	6,000	1,165,579
Samsung Electronics Co., Ltd. (A) .....	10,400	5,866,462
Samsung SDI Co., Ltd. (A) .....	9,450	983,620
		<b>28,809,804</b>
<b>Taiwan – 12.23%</b>		
Cathay Financial Holding Co., Ltd. (A) .....	1,230,000	2,294,251
China Steel Corporation (A) .....	1,500,000	1,337,914
Chinatrust Financial Holding Company, Ltd. (A) .....	2,259,870	1,947,577
Chunghwa Telecom Co., Ltd., ADR .....	115,000	2,128,650
iShares MSCI Taiwan Index Fund .....	250,000	2,927,500
MediaTek Incorporation (A) .....	17,000	160,339
Quanta Computer Inc. (A) .....	819,306	1,343,044
TSRC Corporation (A) .....	2,456,000	1,221,117
Taiwan Semiconductor Manufacturing Company Ltd. (A) .....	1,013,227	1,627,343
		<b>14,987,735</b>
<b>Thailand – 6.51%</b>		
Bangkok Bank Public Company Limited (A) .....	650,000	1,804,237
C.P. Seven Eleven Public Company Limited (A) .....	4,205,000	634,794
LAND AND HOUSES PUBLIC COMPANY LIMITED (A) .....	3,405,700	750,465
PTT Public Company Limited (A) .....	239,000	1,419,917
Silicon Motion Technology Corporation, ADR* .....	101,600	1,537,208
Thai Oil Public Company Limited (A) .....	400,000	730,460
Thai Oil Public Company Limited (A)(B) .....	600,000	1,095,690
		<b>7,972,771</b>
<b>United Kingdom – 1.34%</b>		
Standard Chartered PLC (A) .....	75,000	<b>1,643,592</b>
<b>United States – 1.57%</b>		
UTStarcom, Inc.* .....	85,000	694,025
iShares MSCI Pacific ex-Japan Index Fund .....	11,900	1,227,485
		<b>1,921,510</b>
<b>TOTAL COMMON STOCKS – 92.66%</b>		<b>\$113,539,604</b>
(Cost: \$97,279,506)		

See Notes to Schedule of Investments on page 175.

# The Investments of Ivy Pacific Opportunities Fund

September 30, 2005

	Principal Amount in Thousands	Value
<b>SHORT-TERM SECURITY – 4.79%</b>		
<b>Finance Companies</b>		
BP Capital Markets p.l.c., 3.88%, 10–3–05 .....	\$5,867	<u>\$ 5,865,735</u>
(Cost: \$5,865,735)		
<b>TOTAL INVESTMENT SECURITIES – 97.45%</b>		<b>\$119,405,339</b>
(Cost: \$103,145,241)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 2.55%</b>		<b>3,128,231</b>
<b>NET ASSETS – 100.00%</b>		<b>\$122,533,570</b>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

(A) Listed on an exchange outside the United States.

(B) Securities were purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of these securities amounted to \$9,223,863 or 7.53% of net assets.

(C) Security valued in good faith under procedures established by the Board of Directors.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY PACIFIC OPPORTUNITIES FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$103,145) (Notes 1 and 3) . . . . .	\$119,405
Cash denominated in foreign currencies (cost – \$3,138). . . . .	3,133
Receivables:	
Fund shares sold. . . . .	595
Dividends and interest. . . . .	869
Prepaid and other assets . . . . .	34
Total assets . . . . .	<u>124,036</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	963
Payable to Fund shareholders . . . . .	136
Accrued management fee (Note 2) . . . . .	96
Accrued shareholder servicing (Note 2) . . . . .	51
Accrued service fee (Note 2) . . . . .	24
Accrued distribution fee (Note 2) . . . . .	11
Accrued accounting services fee (Note 2) . . . . .	4
Due to custodian . . . . .	2
Accrued administrative fee (Note 2) . . . . .	1
Other . . . . .	214
Total liabilities . . . . .	<u>1,502</u>
Total net assets . . . . .	<u>\$122,534</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$104,961
Accumulated undistributed income:	
Accumulated undistributed net investment income. . . . .	659
Accumulated undistributed net realized gain	
on investment transactions . . . . .	729
Net unrealized appreciation in value of investments. . . . .	16,185
Net assets applicable to outstanding units of capital. . . . .	<u>\$122,534</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$12.26
Class B . . . . .	\$11.40
Class C . . . . .	\$11.52
Class Y . . . . .	\$12.35
Advisor Class . . . . .	\$12.03
Capital shares outstanding:	
Class A . . . . .	8,344
Class B . . . . .	695
Class C . . . . .	902
Class Y . . . . .	151
Advisor Class . . . . .	5

See Notes to Financial Statements.



# Statement of Operations

## IVY PACIFIC OPPORTUNITIES FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$299) .....	\$ 1,841
Interest and amortization .....	65
Total income .....	<u>1,906</u>
Expenses (Note 2):	
Investment management fee .....	481
Shareholder servicing:	
Class A .....	182
Class B .....	22
Class C .....	22
Class Y .....	1
Advisor Class .....	—*
Service fee:	
Class A .....	83
Class B .....	9
Class C .....	10
Class Y .....	2
Custodian fee .....	69
Distribution fee:	
Class A .....	17
Class B .....	25
Class C .....	32
Accounting services fee .....	22
Audit fees .....	12
Administrative fee .....	5
Legal fees .....	2
Other .....	56
Total expenses .....	<u>1,052</u>
Net investment income .....	<u>854</u>

### REALIZED AND UNREALIZED GAIN

#### (LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities .....	4,198
Realized net loss on foreign currency transactions .....	(191)
Realized net gain on investments .....	<u>4,007</u>
Unrealized appreciation in value of investments during the period .....	9,798
Net gain on investments .....	<u>13,805</u>
Net increase in net assets resulting from operations .....	<u>\$ 14,659</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY PACIFIC OPPORTUNITIES FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income (loss) . . . . .	\$ 854	\$ (495)
Realized net gain on investments . . . . .	4,007	4,068
Unrealized appreciation. . . . .	9,798	2,652
Net increase in net assets resulting from operations . . . . .	14,659	6,225
Distributions to shareholders from (Note1F):(1)		
Net investment income:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Advisor Class . . . . .	(—)	(—)
Realized gains on investment transactions:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Advisor Class . . . . .	(—)	(—)
Capital share transactions (Note 5) . . . . .	29,085	34,230
Total increase . . . . .	43,744	40,455
<b>NET ASSETS</b>		
Beginning of period . . . . .	78,790	38,335
End of period. . . . .	\$122,534	\$78,790
Undistributed net investment income (loss) . . . . .	\$ 659	\$ (4)

(1) See "Financial Highlights" on pages 179 - 183.

See Notes to Financial Statements.

# Financial Highlights

## IVY PACIFIC OPPORTUNITIES FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended	For the fiscal year ended	For the fiscal period ended	For the fiscal year ended December 31,			
	9-30-05	3-31-05	3-31-04	2003	2002	2001	2000
Net asset value, beginning of period. . . . .	\$10.61	\$ 9.55	\$9.11	\$5.96	\$6.72	\$7.42	\$9.15
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.08	(0.07)	0.00	(0.02)	0.01 <sup>(1)</sup>	(0.03) <sup>(1)</sup>	0.07
Net realized and unrealized gain (loss) on investments . . . . .	1.57	1.13	0.44	3.17	(0.77) <sup>(2)</sup>	(0.66) <sup>(2)</sup>	(1.74)
Total from investment operations. . . . .	1.65	1.06	0.44	3.15	(0.76)	(0.69)	(1.67)
Less distributions from:							
Net investment income. . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.06)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.06)
Net asset value, end of period. . . . .	\$12.26	\$10.61	\$9.55	\$9.11	\$5.96	\$6.72	\$7.42
Total return <sup>(3)</sup> . . . . .	15.55%	11.10%	4.83%	52.85%	-11.31% <sup>(2)</sup>	-9.29% <sup>(2)</sup>	-18.25%
Net assets, end of period (in millions). . . . .	\$102	\$64	\$29	\$18	\$5	\$6	\$9
Ratio of expenses to average net assets including reimbursement . . . . .	2.05% <sup>(4)</sup>	2.22%	2.07% <sup>(4)</sup>	2.64%	2.21%	2.21%	2.16%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	1.90% <sup>(4)</sup>	-0.80%	-1.07% <sup>(4)</sup>	-0.39%	0.20%	-0.49%	0.83%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	2.73%	3.52%	3.57%	3.10%
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	NA	NA	NA	-0.48%	-1.11%	-1.85%	-0.11%
Portfolio turnover rate . . . . .	47%	87%	61%	187%	16%	82%	108%

(1)Based on average shares outstanding.

(2)Includes redemption fees added to capital.

(3)Total return calculated without taking into account the sales load deducted on an initial purchase.

(4)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY PACIFIC OPPORTUNITIES FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period . . . .	\$ 9.91	\$ 9.01	\$8.61	\$5.75	\$6.56	\$7.33	\$9.04
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.06	(0.13)	(0.04)	(0.06)	(0.04) <sup>(1)</sup>	(0.08) <sup>(1)</sup>	0.01
Net realized and unrealized gain (loss) on investments . . . . .	1.43	1.03	0.44	2.92	(0.77)	(0.68)	(1.71)
Total from investment operations . . . . .	1.49	0.90	0.40	2.86	(0.81)	(0.76)	(1.70)
Less distributions from:							
Net investment income . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)
Net asset value, end of period . . . . .	\$11.40	\$ 9.91	\$9.01	\$8.61	\$5.75	\$6.56	\$7.33
Total return . . . . .	15.04%	9.99%	4.65%	49.74%	-12.35%	-10.35%	-18.80%
Net assets, end of period (in millions) . . . . .	\$8	\$6	\$6	\$6	\$3	\$4	\$6
Ratio of expenses to average net assets including reimbursement . . . . .	3.00% <sup>(2)</sup>	3.06%	2.86% <sup>(2)</sup>	3.46%	2.96%	2.95%	2.92%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	1.06% <sup>(2)</sup>	-1.57%	-1.92% <sup>(2)</sup>	-1.15%	-0.55%	-1.22%	0.07%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	3.55%	4.27%	4.31%	3.86%
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	NA	NA	NA	-1.24%	-1.86%	-2.58%	-0.87%
Portfolio turnover rate . . . .	47%	87%	61%	187%	16%	82%	108%

(1)Based on average shares outstanding.

(2)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY PACIFIC OPPORTUNITIES FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period. . . . .	\$10.01	\$ 9.09	\$8.68	\$5.75	\$6.55	\$7.31	\$9.07
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.06	(0.09)	(0.02)	(0.05)	(0.03) <sup>(1)</sup>	(0.08) <sup>(1)</sup>	0.01
Net realized and unrealized gain (loss) on investments . . . . .	1.45	1.01	0.43	2.98	(0.77)	(0.67)	(1.71)
Total from investment operations. . . . .	1.51	0.92	0.41	2.93	(0.80)	(0.75)	(1.70)
Less distributions from:							
Net investment income. . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.06)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.06)
Net asset value, end of period. . . . .	\$11.52	\$10.01	\$9.09	\$8.68	\$5.75	\$6.55	\$7.31
Total return . . . . .	15.09%	10.12%	4.72%	50.96%	-12.21%	-10.25%	-18.79%
Net assets, end of period (in millions). . . . .	\$11	\$7	\$3	\$2	\$1	\$1	\$2
Ratio of expenses to average net assets including reimbursement . . . . .	2.88% <sup>(2)</sup>	3.06%	2.57% <sup>(2)</sup>	3.48%	2.94%	2.90%	3.03%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	1.12% <sup>(2)</sup>	-1.68%	-1.59% <sup>(2)</sup>	-1.14%	-0.53%	-1.18%	-0.03%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	3.57%	4.25%	4.26%	3.97%
Ratio of net investment loss to average net assets excluding reimbursement .	NA	NA	NA	-1.23%	-1.84%	-2.54%	-0.97%
Portfolio turnover rate . . . . .	47%	87%	61%	187%	16%	82%	108%

(1)Based on average shares outstanding.

(2)Annualized.

See Notes to Financial Statements.

# Financial Highlights

## IVY PACIFIC OPPORTUNITIES FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the period from 7-24-03 <sup>(1)</sup> to 12-31-03
Net asset value, beginning of period . . . . .	\$10.67	\$ 9.58	\$9.13	\$6.85
Income (loss) from investment operations:				
Net investment income (loss) . . . . .	0.09	(0.04)	(0.00)	(0.01)
Net realized and unrealized gain on investments . . . . .	1.59	1.13	0.45	2.29
Total from investment operations . . . . .	1.68	1.09	0.45	2.28
Less distributions from:				
Net investment income . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.00)	(0.00)
Net asset value, end of period . . . . .	\$12.35	\$10.67	\$9.58	\$9.13
Total return . . . . .	15.75%	11.38%	4.93%	33.28%
Net assets, end of period (in thousands) . . . . .	\$1,864	\$1,100	\$707	\$497
Ratio of expenses to average net assets including reimbursement . . . . .	1.74% <sup>(2)</sup>	1.88%	1.64% <sup>(2)</sup>	2.01% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	2.15% <sup>(2)</sup>	-0.47%	-0.68% <sup>(2)</sup>	-0.40% <sup>(2)</sup>
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	2.18% <sup>(2)</sup>
Ratio of net investment loss to average net assets excluding reimbursement . . . . .	NA	NA	NA	-0.57% <sup>(2)</sup>
Portfolio turnover rate . . . . .	47%	87%	61%	187% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the 12 months ended December 31, 2003.

See Notes to Financial Statements.

# Financial Highlights

## IVY PACIFIC OPPORTUNITIES FUND

Advisor Class Shares<sup>(1)</sup>

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended December 31,			
				2003	2002	2001	2000
Net asset value, beginning of period. . . . .	\$10.38	\$ 9.28	\$8.85	\$5.81	\$6.59	\$7.30	\$9.03
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	0.14 <sup>(2)</sup>	(0.01)	(0.01)	(0.01)	0.04 <sup>(2)</sup>	(0.02) <sup>(2)</sup>	0.12 <sup>(2)</sup>
Net realized and unrealized gain (loss) on investments . . . . .	1.51 <sup>(2)</sup>	1.11	0.44	3.05	(0.82)	(0.68)	(1.82)
Total from investment operations. . . . .	1.65	1.10	0.43	3.04	(0.78)	(0.70)	(1.70)
Less distributions from:							
Net investment income. . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.03)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Total distributions. . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.03)
Net asset value, end of period. . . . .	\$12.03	\$10.38	\$9.28	\$8.85	\$5.81	\$6.59	\$7.30
Total return . . . . .	15.90%	11.85%	4.86%	52.32%	-11.84%	-9.58%	-18.77%
Net assets, end of period (in thousands) . . . . .	\$65	\$64	\$58	\$55	\$34	\$3	\$42
Ratio of expenses to average net assets including reimbursement . . . . .	1.47% <sup>(3)</sup>	1.56%	1.82% <sup>(3)</sup>	2.49%	1.74%	2.03%	1.77%
Ratio of net investment income (loss) to average net assets including reimbursement . . . . .	2.65% <sup>(3)</sup>	-0.06%	-0.88% <sup>(3)</sup>	-0.09%	0.67%	-0.31%	1.23%
Ratio of expenses to average net assets excluding reimbursement . . . . .	NA	NA	NA	2.65%	3.05%	3.39%	2.71%
Ratio of net investment income (loss) to average net assets excluding reimbursement . . . . .	NA	NA	NA	-0.25%	-0.64%	-1.67%	0.29%
Portfolio turnover rate . . . . .	47%	87%	61%	187%	16%	82%	108%

(1) See Note 5 to financial statements.

(2) Based on average shares outstanding.

(3) Annualized.

See Notes to Financial Statements.

SHAREHOLDER SUMMARY OF IVY REAL ESTATE SECURITIES FUND

Portfolio Highlights

On September 30, 2005, Ivy Real Estate Securities Fund had net assets totaling \$418,269,556 invested in a diversified portfolio of:

99.11%	Common Stocks
0.89%	Cash and Cash Equivalents

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:





# The Investments of Ivy Real Estate Securities Fund

September 30, 2005

COMMON STOCKS	Shares	Value
<b>Business Equipment and Services – 3.73%</b>		
Brookfield Properties Corporation .....	529,000	<b>\$ 15,589,630</b>
<b>Hotels and Gaming – 9.12%</b>		
Hilton Hotels Corporation .....	677,300	15,117,336
Marriott International, Inc., Class A .....	72,100	4,542,300
Starwood Hotels & Resorts Worldwide, Inc. ....	323,100	18,471,627
		<b>38,131,263</b>
<b>Multiple Industry – 5.27%</b>		
DiamondRock Hospitality Company .....	377,600	4,436,800
Eagle Hospitality Properties Trust, Inc. ....	100,400	1,001,992
Education Realty Trust, Inc. ....	396,200	6,616,540
NorthStar Realty Finance Corp. ....	455,700	4,279,023
Sunstone Hotel Investors, Inc. ....	153,900	3,753,621
Thomas Properties Group, Inc. ....	150,200	1,939,833
		<b>22,027,809</b>
<b>Real Estate Investment Trust – 79.65%</b>		
Alexandria Real Estate Equities, Inc. ....	58,600	4,845,634
American Campus Communities, Inc. ....	351,300	8,438,226
Archstone-Smith Trust .....	191,200	7,623,144
Arden Realty, Inc. ....	68,400	2,816,028
AvalonBay Communities, Inc. ....	113,500	9,726,950
BioMed Realty Trust, Inc. ....	398,612	9,885,578
Boston Properties, Inc. ....	119,300	8,458,370
Brandywine Realty Trust .....	327,900	10,194,411
Camden Property Trust .....	229,600	12,800,200
Columbia Equity Trust, Inc.* .....	132,000	1,927,200
Cousins Properties Incorporated .....	181,400	5,481,908
Developers Diversified Realty Corporation .....	336,100	15,695,870
Equity Lifestyle Properties, Inc. ....	37,400	1,683,000
Equity Office Properties Trust .....	122,400	4,003,704
Equity One, Inc. ....	317,000	7,370,250
Equity Residential .....	338,400	12,808,440
Essex Property Trust, Inc. ....	33,500	3,015,000
Extra Space Storage Inc. ....	160,234	2,464,399
First Industrial Realty Trust, Inc. ....	126,600	5,070,330
First Potomac Realty Trust .....	112,900	2,901,530

See Notes to Schedule of Investments on page 187.

# The Investments of Ivy Real Estate Securities Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Real Estate Investment Trust (Continued)</b>		
General Growth Properties, Inc. ....	396,740	\$ 17,825,528
Gramercy Capital Corp. ....	144,000	3,450,240
Hersha Hospitality Trust ....	275,200	2,732,736
Host Marriott Corporation. ....	332,500	5,619,250
Kimco Realty Corporation ....	414,900	13,036,158
Kite Realty Group Trust ....	548,100	8,177,652
Liberty Property Trust. ....	89,100	3,790,314
Maguire Properties, Inc. ....	165,600	4,976,280
Mills Corporation (The) ....	237,400	13,075,992
Newcastle Investment Corp. ....	115,600	3,225,240
Pan Pacific Retail Properties, Inc. ....	26,700	1,759,530
Prentiss Properties Trust ....	156,400	6,349,840
ProLogis ....	640,465	28,379,004
Public Storage, Inc. ....	94,400	6,324,800
Regency Centers Corporation ....	69,500	3,992,775
SL Green Realty Corp. ....	27,900	1,902,222
Simon Property Group, Inc. ....	312,800	23,184,736
Spirit Finance Corporation ....	436,500	4,910,625
Spirit Finance Corporation (A) ....	70,700	795,375
Strategic Hotel Capital, L.L.C. ....	329,600	6,018,496
Trizec Properties, Inc. ....	419,400	9,671,364
United Dominion Realty Trust, Inc. ....	356,542	8,450,045
Ventas, Inc. ....	219,800	7,077,560
Vornado Realty Trust ....	104,000	9,008,480
Winston Hotels, Inc. ....	222,200	2,222,000
		<b>333,166,414</b>
<b>Retail – Specialty Stores – 1.34%</b>		
Forest City Enterprises, Inc., Class A ....	147,378	<b>5,615,102</b>
<b>TOTAL COMMON STOCKS – 99.11%</b>		<b>\$414,530,218</b>
(Cost: \$335,668,434)		

See Notes to Schedule of Investments on page 187.

# The Investments of Ivy Real Estate Securities Fund

September 30, 2005

SHORT-TERM SECURITIES	Principal Amount in Thousands	Value
<b>Security and Commodity Brokers – 0.45%</b>		
Greenwich Capital Holdings Inc. (Royal Bank of Scotland PLC (The)), 3.87%, 10–3–05 .....	\$1,889	<u>\$ 1,888,594</u>
<b>Utilities – Electric – 0.29%</b>		
Wisconsin Electric Power Co., 3.88%, 10–3–05 .....	1,222	<u>1,221,737</u>
<b>TOTAL SHORT-TERM SECURITIES – 0.74%</b>		<b>\$ 3,110,331</b>
(Cost: \$3,110,331)		
<b>TOTAL INVESTMENT SECURITIES – 99.85%</b>		<b>\$417,640,549</b>
(Cost: \$338,778,765)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.15%</b>		<b>629,007</b>
<b>NET ASSETS – 100.00%</b>		<b>\$418,269,556</b>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

(A) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2005, the total value of this security amounted to 0.19% of net assets.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY REAL ESTATE SECURITIES FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$338,779) (Notes 1 and 3) . . . . .	\$417,641
Cash . . . . .	82
Receivables:	
Dividends and interest. . . . .	2,182
Fund shares sold . . . . .	933
Investment securities sold . . . . .	186
Prepaid and other assets . . . . .	26
Total assets . . . . .	<u>421,050</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	1,804
Payable to Fund shareholders . . . . .	393
Accrued management fee (Note 2) . . . . .	307
Accrued shareholder servicing (Note 2) . . . . .	113
Accrued service fee (Note 2) . . . . .	85
Accrued distribution fee (Note 2) . . . . .	16
Accrued accounting services fee (Note 2) . . . . .	11
Other . . . . .	51
Total liabilities . . . . .	<u>2,780</u>
Total net assets . . . . .	<u>\$418,270</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$324,859
Accumulated undistributed income:	
Accumulated undistributed net investment income. . . . .	78
Accumulated undistributed net realized gain	
on investment transactions . . . . .	14,471
Net unrealized appreciation in value of investments. . . . .	78,862
Net assets applicable to outstanding units of capital. . . . .	<u>\$418,270</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$20.92
Class B . . . . .	\$20.85
Class C . . . . .	\$20.87
Class Y . . . . .	\$20.93
Capital shares outstanding:	
Class A . . . . .	9,665
Class B . . . . .	616
Class C . . . . .	668
Class Y . . . . .	9,045

See Notes to Financial Statements.

# Statement of Operations

## IVY REAL ESTATE SECURITIES FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$29) .....	\$ 4,769
Interest and amortization .....	109
Total income .....	<u>4,878</u>
Expenses (Note 2):	
Investment management fee .....	1,674
Shareholder servicing:	
Class A .....	344
Class B .....	38
Class C .....	28
Class Y .....	129
Service fee:	
Class A .....	185
Class B .....	15
Class C .....	15
Class Y .....	216
Distribution fee:	
Class A .....	34
Class B .....	44
Class C .....	46
Accounting services fee .....	60
Custodian fees .....	17
Audit fees .....	14
Legal fees .....	1
Other .....	120
Total expenses .....	<u>2,980</u>
Net investment income .....	<u>1,898</u>

### REALIZED AND UNREALIZED GAIN

#### ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities .....	8,356
Realized net gain on foreign currency transactions .....	—*
Realized net gain on investments .....	<u>8,356</u>
Unrealized appreciation in value of investments during the period .....	40,515
Net gain on investments .....	<u>48,871</u>
Net increase in net assets resulting from operations .....	<u>\$50,769</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY REAL ESTATE SECURITIES FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment income .....	\$ 1,898	\$ 2,657
Realized net gain on investments .....	8,356	13,738
Unrealized appreciation .....	40,515	9,265
Net increase in net assets		
resulting from operations .....	50,769	25,660
Distributions to shareholders from (Note 1F): <sup>(1)</sup>		
Net investment income:		
Class A .....	(799)	(1,366)
Class B .....	(—)	(33)
Class C .....	(5)	(58)
Class Y .....	(1,016)	(1,924)
Realized gains on investment transactions:		
Class A .....	(—)	(4,340)
Class B .....	(—)	(275)
Class C .....	(—)	(308)
Class Y .....	(—)	(4,922)
	(1,820)	(13,226)
Capital share transactions (Note 5) .....	46,675	171,568
Total increase .....	95,624	184,002
<b>NET ASSETS</b>		
Beginning of period .....	322,646	138,644
End of period .....	\$418,270	\$322,646
Undistributed net investment income (loss) .....	\$ 78	\$ (—)*

\*Not shown due to rounding.

(1) See "Financial Highlights" on pages 191 - 194.

See Notes to Financial Statements.

# Financial Highlights

## IVY REAL ESTATE SECURITIES FUND

*Class A Shares*

*For a Share of Capital Stock Outstanding Throughout Each Period:*

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended July 31,			
				2003	2002	2001	2000
Net asset value, beginning of period. . . . .	\$18.13	\$16.99	\$13.42	\$11.93	\$11.67	\$11.23	\$10.25
Income from investment operations:							
Net investment income. . .	0.07	0.15 <sup>(1)</sup>	0.62	0.48	0.32	0.51	0.43
Net realized and unrealized gain on investments . .	2.81	1.93 <sup>(1)</sup>	3.38	1.72	1.01	0.47	1.00
Total from investment operations. . . . .	2.88	2.08	4.00	2.20	1.33	0.98	1.43
Less distributions from:							
Net investment income. . .	(0.09)	(0.25)	(0.24)	(0.48)	(0.28)	(0.54)	(0.41)
Capital gains . . . . .	(0.00)	(0.69)	(0.19)	(0.23)	(0.79)	(0.00)	(0.04)
Total distributions. . . . .	(0.09)	(0.94)	(0.43)	(0.71)	(1.07)	(0.54)	(0.45)
Net asset value, end of period. . . . .	\$20.92	\$18.13	\$16.99	\$13.42	\$11.93	\$11.67	\$11.23
Total return <sup>(2)</sup> . . . . .	15.89%	12.09%	29.78%	19.65%	12.31%	9.10%	14.89%
Net assets, end of period (in millions). . . . .	\$202	\$155	\$44	\$60	\$32	\$17	\$12
Ratio of expenses to average net assets including voluntary expense waiver . . . . .	1.66% <sup>(3)</sup>	1.67%	1.48% <sup>(3)(4)</sup>	1.46%	1.50%	1.50%	1.50%
Ratio of net investment income to average net assets including voluntary expense waiver . . . . .	0.94% <sup>(3)</sup>	0.95%	4.35% <sup>(3)(4)</sup>	2.95%	2.83%	4.29%	4.26%
Ratio of expenses to average net assets excluding voluntary expense waiver . . . . .	NA	NA	1.49% <sup>(3)(4)</sup>	1.46%	1.69%	1.99%	2.72%
Ratio of net investment income to average net assets excluding voluntary expense waiver . . . . .	NA	NA	4.34% <sup>(3)(4)</sup>	2.95%	2.64%	3.81%	3.04%
Portfolio turnover rate . . . . .	15%	48%	35%	48%	101%	173%	117%

(1)Based on average weekly shares outstanding.

(2)Total return calculated without taking into account the sales load deducted on an initial purchase.

(3)Annualized.

(4)In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown above reflect a blended rate that includes the effect of income and expenses for those Class B and Class C shares from August 1, 2003 up to the time of merger. Actual expenses that applied to Class A shareholders were lower than shown above.

See Notes to Financial Statements.

# Financial Highlights

## IVY REAL ESTATE SECURITIES FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> through 3-31-04
Net asset value, beginning of period . . . . .	\$18.08	\$16.97	\$15.18
Income (loss) from investment operations:			
Net investment income (loss) . . . . .	(0.00)	(0.07) <sup>(2)</sup>	0.07
Net realized and unrealized gain on investments. . . . .	2.77	1.95 <sup>(2)</sup>	2.08
Total from investment operations . . . . .	2.77	1.88	2.15
Less distributions from:			
Net investment income . . . . .	(0.00)	(0.08)	(0.17)
Capital gains . . . . .	(0.00)	(0.69)	(0.19)
Total distributions . . . . .	(0.00)	(0.77)	(0.36)
Net asset value, end of period . . . . .	\$20.85	\$18.08	\$16.97
Total return . . . . .	15.32%	10.91%	14.46%
Net assets, end of period (in millions) . . . . .	\$13	\$10	\$2
Ratio of expenses to average net assets. . . . .	2.68% <sup>(3)</sup>	2.73%	3.02% <sup>(3)</sup>
Ratio of net investment loss to average net assets . . . . .	-0.03% <sup>(3)</sup>	-0.24%	-5.40% <sup>(3)</sup>
Portfolio turnover rate . . . . .	15%	48%	35% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the eight months ended March 31, 2004.

See Notes to Financial Statements.



# Financial Highlights

## IVY REAL ESTATE SECURITIES FUND

*Class C Shares*

*For a Share of Capital Stock Outstanding Throughout Each Period:*

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> through 3-31-04
Net asset value, beginning of period . . . . .	\$18.10	\$16.99	\$ 15.18
Income from investment operations:			
Net investment income . . . . .	0.02	0.12	0.08
Net realized and unrealized gain on investments. . . . .	2.76	1.82	2.09
Total from investment operations . . . . .	2.78	1.94	2.17
Less distributions from:			
Net investment income . . . . .	(0.01)	(0.14)	(0.17)
Capital gains . . . . .	(0.00)	(0.69)	(0.19)
Total distributions . . . . .	(0.01)	(0.83)	(0.36)
Net asset value, end of period . . . . .	\$20.87	\$18.10	\$ 16.99
Total return . . . . .	15.35%	11.21%	14.59%
Net assets, end of period (in millions) . . . . .	\$14	\$10	\$2
Ratio of expenses to average net assets. . . . .	2.48% <sup>(2)</sup>	2.49%	2.82% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets . . . . .	0.13% <sup>(2)</sup>	0.14%	-4.46% <sup>(2)</sup>
Portfolio turnover rate . . . . .	15%	48%	35% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY REAL ESTATE SECURITIES FUND

*Class Y Shares*

*For a Share of Capital Stock Outstanding Throughout Each Period:*

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> through 3-31-04
Net asset value, beginning of period . . . . .	\$18.14	\$16.99	\$15.18
Income from investment operations:			
Net investment income . . . . .	0.13	0.26 <sup>(2)</sup>	0.04
Net realized and unrealized gain on investments. . . . .	2.78	1.87 <sup>(2)</sup>	2.15
Total from investment operations . . . . .	2.91	2.13	2.19
Less distributions from:			
Net investment income . . . . .	(0.12)	(0.29)	(0.19)
Capital gains . . . . .	(0.00)	(0.69)	(0.19)
Total distributions . . . . .	(0.12)	(0.98)	(0.38)
Net asset value, end of period . . . . .	<u>\$20.93</u>	<u>\$18.14</u>	<u>\$16.99</u>
Total return . . . . .	16.04%	12.40%	14.78%
Net assets, end of period (in millions) . . . . .	\$189	\$148	\$91
Ratio of expenses to average net assets. . . . .	1.40% <sup>(3)</sup>	1.44%	1.60% <sup>(3)</sup>
Ratio of net investment income to average net assets . . . . .	1.24% <sup>(3)</sup>	1.59%	0.14% <sup>(3)</sup>
Portfolio turnover rate . . . . .	15%	48%	35% <sup>(4)</sup>

(1) Commencement of operations of the class.

(2) Based on average weekly shares outstanding.

(3) Annualized.

(4) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

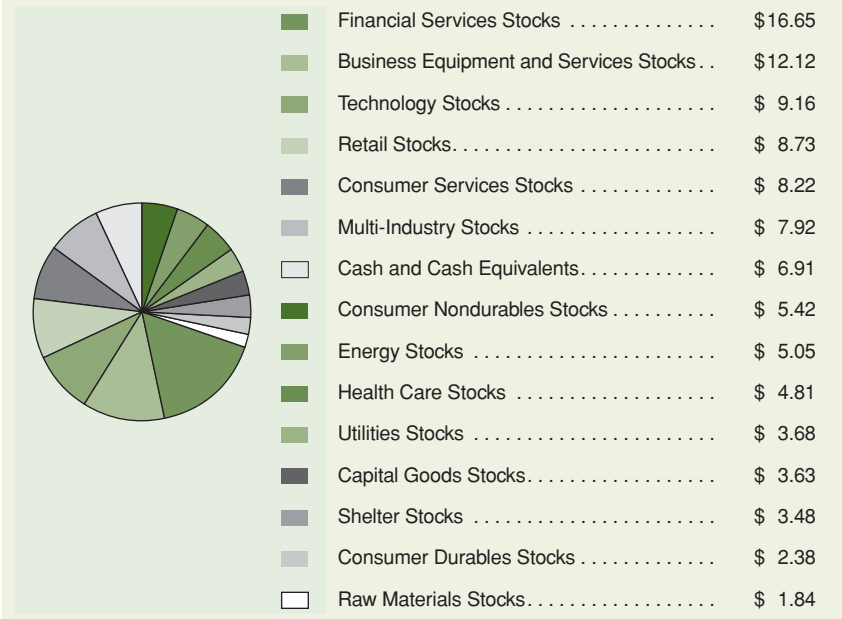
# SHAREHOLDER SUMMARY OF IVY SMALL CAP VALUE FUND

## Portfolio Highlights

On September 30, 2005, Ivy Small Cap Value Fund had net assets totaling \$116,870,718 invested in a diversified portfolio of:

93.09%	Common Stocks
6.91%	Cash and Cash Equivalents

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:



# The Investments of Ivy Small Cap Value Fund

September 30, 2005

COMMON STOCKS	Shares	Value
<b>Banks – 8.40%</b>		
Cathay General Bancorp . . . . .	27,700	\$ 981,411
Central Pacific Financial Corp. . . . .	24,100	847,838
First Niagara Financial Group, Inc. . . . .	106,700	1,538,614
Gold Banc Corporation, Inc. . . . .	113,900	1,691,415
Taylor Capital Group, Inc. . . . .	20,700	783,288
Trustmark Corporation . . . . .	55,500	1,545,398
Umpqua Holdings Corporation . . . . .	40,600	986,377
Wintrust Financial Corporation . . . . .	28,600	1,438,008
		<u>9,812,349</u>
<b>Business Equipment and Services – 8.40%</b>		
Brink's Company (The) . . . . .	61,000	2,504,660
Heidrick & Struggles International, Inc.* . . . . .	49,600	1,604,808
Laidlaw International, Inc. . . . .	115,200	2,784,384
Lennox International Inc. . . . .	54,300	1,488,363
ProQuest Company* . . . . .	18,100	655,220
RSA Security Inc.* . . . . .	61,500	780,435
		<u>9,817,870</u>
<b>Capital Equipment – 0.67%</b>		
Actuant Corporation, Class A* . . . . .	16,800	<u>786,240</u>
<b>Chemicals – Specialty – 1.05%</b>		
Airgas, Inc. . . . .	41,600	<u>1,232,608</u>
<b>Coal – 1.72%</b>		
Foundation Coal Holdings, Inc. . . . .	52,200	<u>2,007,090</u>
<b>Communications Equipment – 2.34%</b>		
Dycom Industries, Inc.* . . . . .	55,100	1,114,122
Polycom, Inc.* . . . . .	31,800	514,047
Tekelec* . . . . .	52,800	1,103,784
		<u>2,731,953</u>
<b>Computers – Peripherals – 4.76%</b>		
Borland Software Corporation* . . . . .	167,100	971,686
Electronics for Imaging, Inc.* . . . . .	77,800	1,785,121
Imation Corp. . . . .	20,000	857,400
Novatel Wireless, Inc.* . . . . .	58,100	838,964
TIBCO Software Inc.* . . . . .	132,529	1,105,955
		<u>5,559,126</u>
<b>Construction Materials – 1.03%</b>		
Walter Industries, Inc. . . . .	24,500	<u>1,198,540</u>

See Notes to Schedule of Investments on page 200.

# The Investments of Ivy Small Cap Value Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Containers – 3.10%</b>		
AptarGroup, Inc. ....	18,300	\$ 911,523
Jarden Corporation* ....	54,750	2,248,582
Packaging Corporation of America ....	24,100	467,781
		<u>3,627,886</u>
<b>Electronic Components – 2.06%</b>		
Axcelis Technologies, Inc.* ....	97,800	510,027
Brooks Automation, Inc.* ....	32,900	438,392
Integrated Device Technology, Inc.* ....	47,000	504,545
Thomas & Betts Corporation* ....	27,700	953,157
		<u>2,406,121</u>
<b>Finance Companies – 1.00%</b>		
Allmerica Financial Corporation* ....	28,400	<u>1,168,376</u>
<b>Food and Related – 1.83%</b>		
Chiquita Brands International Inc. ....	29,000	810,550
Hain Celestial Group, Inc. (The)* ....	38,900	753,493
Lance, Inc. ....	32,700	570,451
		<u>2,134,494</u>
<b>Forest and Paper Products – 1.92%</b>		
Bowater Incorporated ....	36,800	1,040,336
OfficeMax Incorporated ....	38,100	1,206,627
		<u>2,246,963</u>
<b>Health Care – General – 4.43%</b>		
Amedisys, Inc.* ....	17,800	694,022
dj Orthopedics, Inc.* ....	52,382	1,515,935
PolyMedica Corporation ....	28,000	977,340
Sybron Dental Specialties, Inc.* ....	48,000	1,995,840
		<u>5,183,137</u>
<b>Homebuilders, Mobile Homes – 0.37%</b>		
Fleetwood Enterprises, Inc.* ....	35,000	<u>430,500</u>
<b>Hospital Supply and Management – 0.38%</b>		
LifePoint Hospitals, Inc.* ....	10,246	<u>447,955</u>
<b>Hotels and Gaming – 3.58%</b>		
Gaylord Entertainment Company* ....	49,900	2,377,735
Kerzner International Limited* ....	20,900	1,160,995
Pinnacle Entertainment, Inc.* ....	35,300	647,049
		<u>4,185,779</u>
<b>Household – General Products – 0.49%</b>		
Church & Dwight Co., Inc. ....	15,400	<u>568,876</u>

See Notes to Schedule of Investments on page 200.

# The Investments of Ivy Small Cap Value Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Household – Major Appliances – 0.96%</b>		
Briggs & Stratton Corporation .....	32,400	\$ 1,120,716
<b>Insurance – Life – 1.21%</b>		
Universal American Financial Corp.* .....	62,400	1,420,536
<b>Insurance – Property and Casualty – 1.80%</b>		
Max Re Capital Ltd. ....	85,200	2,109,978
<b>Leisure Time Industry – 1.73%</b>		
K2 Inc.* .....	85,700	976,980
RC2 Corporation* .....	31,100	1,050,092
		2,027,072
<b>Motor Vehicle Parts – 0.71%</b>		
Tenneco Automotive Inc.* .....	47,200	826,472
<b>Motor Vehicles – 0.71%</b>		
Winnebago Industries, Inc. ....	28,500	825,645
<b>Multiple Industry – 7.92%</b>		
Alpha Natural Resources, Inc.* .....	37,600	1,129,504
Aspen Insurance Holdings Limited .....	40,200	1,187,910
Diamond Foods, Inc.* .....	27,700	478,794
ITC Holdings Corp. ....	38,100	1,104,138
James River Group, Inc.* .....	15,400	272,272
K&F Industries Holdings, Inc.* .....	49,100	821,443
NorthWestern Corporation .....	53,300	1,608,328
Sunstone Hotel Investors, Inc. ....	23,400	570,726
TreeHouse Foods, Inc.* .....	34,800	935,424
U-Store-It Trust .....	56,600	1,147,282
		9,255,821
<b>Non-Residential Construction – 1.93%</b>		
Washington Group International, Inc.* .....	41,900	2,255,268
<b>Petroleum – Domestic – 2.46%</b>		
Comstock Resources, Inc.* .....	29,900	981,019
Whiting Petroleum Corporation* .....	43,300	1,898,272
		2,879,291
<b>Petroleum – International – 0.87%</b>		
Vintage Petroleum, Inc. ....	22,200	1,013,652

See Notes to Schedule of Investments on page 200.

# The Investments of Ivy Small Cap Value Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Publishing – 2.91%</b>		
Banta Corporation .....	48,000	\$ 2,442,720
PRIMEDIA Inc.* .....	233,300	954,197
		<u>3,396,917</u>
<b>Real Estate Investment Trust – 1.19%</b>		
HomeBanc Corp. ....	84,600	653,112
Trustreet Properties, Inc. ....	47,200	738,680
		<u>1,391,792</u>
<b>Restaurants – 1.78%</b>		
Landry's Restaurants, Inc. ....	19,200	562,560
Lone Star Steakhouse & Saloon, Inc. ....	20,100	523,203
Triarc Companies, Inc. ....	59,200	994,560
		<u>2,080,323</u>
<b>Retail – General Merchandise – 1.61%</b>		
BJ's Wholesale Club, Inc.* .....	35,900	998,020
Saks Incorporated* .....	18,100	334,850
Stage Stores, Inc. ....	20,550	550,329
		<u>1,883,199</u>
<b>Retail – Specialty Stores – 5.34%</b>		
AnnTaylor Stores Corporation* .....	21,300	565,515
Finish Line, Inc. (The), Class A .....	62,400	908,856
Handleman Company .....	98,800	1,247,844
Linens 'n Things, Inc.* .....	63,000	1,682,100
Pier 1 Imports, Inc. ....	72,900	821,583
Sports Authority, Inc. (The)* .....	34,300	1,009,792
		<u>6,235,690</u>
<b>Savings and Loans – 1.25%</b>		
Sterling Financial Corporation* .....	64,800	1,458,648
<b>Security and Commodity Brokers – 2.99%</b>		
Affiliated Managers Group, Inc.* .....	31,400	2,273,988
National Financial Partners Corp. ....	27,000	1,218,780
		<u>3,492,768</u>
<b>Steel – 0.79%</b>		
Lone Star Technologies, Inc.* .....	16,600	922,794
<b>Timesharing and Software – 3.72%</b>		
Digitas Inc.* .....	74,100	840,294
FileNet Corporation* .....	29,500	822,607
Hyperion Solutions Corporation* .....	21,900	1,065,873
Manhattan Associates, Inc.* .....	39,800	920,773
Per-Se Technologies, Inc.* .....	33,900	699,188
		<u>4,348,735</u>

See Notes to Schedule of Investments on page 200.

# The Investments of Ivy Small Cap Value Fund

September 30, 2005

<b>COMMON STOCKS</b> (Continued)	<b>Shares</b>	<b>Value</b>
<b>Utilities – Electric – 2.30%</b>		
Black Hills Corporation . . . . .	19,900	\$ 863,063
PNM Resources, Inc. . . . .	63,700	1,826,279
		<u>2,689,342</u>
<b>Utilities – Telephone – 1.38%</b>		
Dobson Communications Corporation, Class A* . . . . .	87,200	669,260
UbiquiTel Inc.* . . . . .	108,300	946,542
		<u>1,615,802</u>
<b>TOTAL COMMON STOCKS – 93.09%</b>		<b>\$108,796,324</b>
(Cost: \$100,478,402)		
	<b>Principal Amount in Thousands</b>	
<b>SHORT-TERM SECURITIES</b>		
<b>Security and Commodity Brokers – 2.57%</b>		
Greenwich Capital Holdings Inc. (Royal Bank of Scotland PLC (The)), 3.87%, 10–3–05 . . . . .	\$3,001	<u>3,000,355</u>
<b>Utilities – Electric – 3.14%</b>		
Wisconsin Electric Power Co., 3.88%, 10–3–05 . . . . .	3,675	<u>3,674,208</u>
<b>TOTAL SHORT-TERM SECURITIES – 5.71%</b>		<b>\$6,674,563</b>
(Cost: \$6,674,563)		
<b>TOTAL INVESTMENT SECURITIES – 98.80%</b>		<b>\$115,470,887</b>
(Cost: \$107,152,965)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 1.20%</b>		<b>1,399,831</b>
<b>NET ASSETS – 100.00%</b>		<b>\$116,870,718</b>

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.



# Statement of Assets and Liabilities

## IVY SMALL CAP VALUE FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$107,153) (Notes 1 and 3) . . . . .	\$115,471
Receivables:	
Investment securities sold . . . . .	3,508
Fund shares sold . . . . .	227
Dividends and interest . . . . .	60
Prepaid and other assets . . . . .	26
Total assets . . . . .	<u>119,292</u>

### LIABILITIES

Payable for investment securities purchased . . . . .	1,987
Payable to Fund shareholders . . . . .	152
Accrued management fee (Note 2) . . . . .	81
Due to custodian . . . . .	77
Accrued shareholder servicing (Note 2) . . . . .	54
Accrued service fee (Note 2) . . . . .	24
Accrued distribution fee (Note 2) . . . . .	10
Accrued accounting services fee (Note 2) . . . . .	5
Other . . . . .	31
Total liabilities . . . . .	<u>2,421</u>
Total net assets . . . . .	<u>\$116,871</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$ 88,150
Accumulated undistributed income (loss):	
Accumulated undistributed net investment loss . . . . .	(453)
Accumulated undistributed net realized gain	
on investment transactions . . . . .	20,856
Net unrealized appreciation in value of investments . . . . .	8,318
Net assets applicable to outstanding units of capital . . . . .	<u>\$116,871</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$17.81
Class B . . . . .	\$17.42
Class C . . . . .	\$17.53
Class Y . . . . .	\$17.89
Capital shares outstanding:	
Class A . . . . .	4,360
Class B . . . . .	372
Class C . . . . .	506
Class Y . . . . .	1,335

See Notes to Financial Statements.

# Statement of Operations

## IVY SMALL CAP VALUE FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT LOSS

Income (Note 1B):	
Dividends . . . . .	\$ 513
Interest and amortization . . . . .	59
Total income . . . . .	<u>572</u>
Expenses (Note 2):	
Investment management fee . . . . .	472
Shareholder servicing:	
Class A . . . . .	189
Class B . . . . .	24
Class C . . . . .	21
Class Y . . . . .	18
Service fee:	
Class A . . . . .	77
Class B . . . . .	8
Class C . . . . .	10
Class Y . . . . .	30
Distribution fee:	
Class A . . . . .	14
Class B . . . . .	22
Class C . . . . .	31
Accounting services fee . . . . .	32
Audit fees . . . . .	12
Custodian fees . . . . .	6
Other . . . . .	53
Total expenses . . . . .	<u>1,019</u>
Net investment loss . . . . .	<u>(447)</u>

### REALIZED AND UNREALIZED GAIN

#### (LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on investments . . . . .	10,336
Unrealized depreciation in value of investments during the period . . . . .	(3,890)
Net gain on investments . . . . .	<u>6,446</u>
Net increase in net assets resulting from operations . . . . .	<u>\$5,999</u>

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY SMALL CAP VALUE FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>INCREASE IN NET ASSETS</b>		
Operations:		
Net investment loss . . . . .	\$ (447)	\$ (801)
Realized net gain on investments . . . . .	10,336	15,607
Unrealized depreciation. . . . .	(3,890)	(8,498)
Net increase in net assets resulting from operations . . . . .	5,999	6,308
Distributions to shareholders from (Note 1F):(1)		
Net investment income:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
Realized gains on investment transactions:		
Class A . . . . .	(—)	(3,850)
Class B . . . . .	(—)	(279)
Class C . . . . .	(—)	(418)
Class Y . . . . .	(—)	(1,741)
	(—)	(6,288)
Capital share transactions (Note 5) . . . . .	7,263	10,682
Total increase . . . . .	13,262	10,702
<b>NET ASSETS</b>		
Beginning of period. . . . .	103,609	92,907
End of period. . . . .	\$116,871	\$103,609
Undistributed net investment loss . . . . .	\$ (453)	\$ (6)

(1) See "Financial Highlights" on pages 204 - 207.

See Notes to Financial Statements.

# Financial Highlights

## IVY SMALL CAP VALUE FUND

Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended July 31,			
				2003	2002	2001	2000
Net asset value, beginning of period. . . . .	\$16.88	\$16.68	\$13.02	\$12.25	\$15.05	\$11.47	\$11.20
Income (loss) from investment operations:							
Net investment income (loss) . . . . .	(0.06)	(0.13)	(0.08)	(0.09)	(0.08)	(0.06)	0.05
Net realized and unrealized gain (loss) on investments . . . . .	0.99	1.52	3.76	1.74	(1.84)	4.04	0.32
Total from investment operations. . . . .	0.93	1.39	3.68	1.65	(1.92)	3.98	0.37
Less distributions from:							
Net investment income. . .	(0.00)	(0.00)	(0.00)	(0.00)*	(0.00)	(0.00)	(0.10)
Capital gains . . . . .	(0.00)	(1.19)	(0.02)	(0.88)	(0.88)	(0.40)	(0.00)
Total distributions. . . . .	(0.00)	(1.19)	(0.02)	(0.88)	(0.88)	(0.40)	(0.10)
Net asset value, end of period	\$17.81	\$16.88	\$16.68	\$13.02	\$12.25	\$15.05	\$11.47
Total return <sup>(1)</sup> . . . . .	5.51%	8.23%	28.29%	14.91%	-13.27%	35.18%	3.74%
Net assets, end of period (in millions). . . . .	\$78	\$66	\$65	\$59	\$53	\$55	\$31
Ratio of expenses to average net assets including voluntary expense waiver .	1.81% <sup>(2)</sup>	1.76%	1.65% <sup>(2)(3)</sup>	1.53%	1.27%	1.40%	1.40%
Ratio of net investment income (loss) to average net assets including voluntary expense waiver. . . . .	-0.78% <sup>(2)</sup>	-0.79%	-0.76% <sup>(2)(3)</sup>	-0.82%	-0.57%	-0.56%	0.63%
Ratio of expenses to average net assets excluding voluntary expense waiver .	NA	NA	NA	1.53%	1.37%	1.51%	1.71%
Ratio of net investment income (loss) to average net assets excluding voluntary expense waiver. . . . .	NA	NA	NA	-0.82%	-0.67%	-0.67%	0.32%
Portfolio turnover rate . . . . .	88%	124%	27%	54%	37%	38%	169%

\*Not shown due to rounding.

(1) Total return calculated without taking into account the sales load deducted on an initial purchase.

(2) Annualized.

(3) In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown above reflect a blended rate that includes the effect of income and expenses for those Class B and Class C shares from August 1, 2003 up to the time of the merger. Actual expenses that applied to Class A shareholders were lower than shown above.

See Notes to Financial Statements.

# Financial Highlights

## IVY SMALL CAP VALUE FUND

*Class B Shares*

*For a Share of Capital Stock Outstanding Throughout Each Period:*

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$16.59	\$16.61	\$15.27
Income (loss) from investment operations:			
Net investment loss . . . . .	(0.14)	(0.23)	(0.05)
Net realized and unrealized gain on investments . . . . .	0.97	1.40	1.41
Total from investment operations . . . . .	0.83	1.17	1.36
Less distributions from:			
Net investment income . . . . .	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(1.19)	(0.02)
Total distributions . . . . .	(0.00)	(1.19)	(0.02)
Net asset value, end of period . . . . .	\$17.42	\$16.59	\$16.61
Total return . . . . .	5.00%	6.92%	8.93%
Net assets, end of period (in millions) . . . . .	\$6	\$5	\$1
Ratio of expenses to average net assets . . . . .	2.84% <sup>(2)</sup>	3.02%	3.79% <sup>(2)</sup>
Ratio of net investment loss to average net assets . . . . .	-1.80% <sup>(2)</sup>	-1.88%	-2.93% <sup>(2)</sup>
Portfolio turnover rate . . . . .	88%	124%	27% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY SMALL CAP VALUE FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$16.67	\$16.63	\$15.27
Income (loss) from investment operations:			
Net investment loss . . . . .	(0.12)	(0.19)	(0.05)
Net realized and unrealized gain on investments . . . . .	0.98	1.42	1.43
Total from investment operations . . . . .	0.86	1.23	1.38
Less distributions from:			
Net investment income . . . . .	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(1.19)	(0.02)
Total distributions . . . . .	(0.00)	(1.19)	(0.02)
Net asset value, end of period . . . . .	\$17.53	\$16.67	\$16.63
Total return . . . . .	5.16%	7.28%	9.06%
Net assets, end of period (in millions) . . . . .	\$9	\$8	\$2
Ratio of expenses to average net assets . . . . .	2.55% <sup>(2)</sup>	2.65%	2.83% <sup>(2)</sup>
Ratio of net investment loss to average net assets . . . . .	-1.52% <sup>(2)</sup>	-1.53%	-2.00% <sup>(2)</sup>
Portfolio turnover rate . . . . .	88%	124%	27% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY SMALL CAP VALUE FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$16.92	\$16.68	\$15.27
Income (loss) from investment operations:			
Net investment loss . . . . .	(0.03)	(0.10)	(0.04)
Net realized and unrealized gain on investments . . . . .	1.00	1.53	1.47
Total from investment operations . . . . .	0.97	1.43	1.43
Less distributions from:			
Net investment income . . . . .	(0.00)	(0.00)	(0.00)
Capital gains . . . . .	(0.00)	(1.19)	(0.02)
Total distributions . . . . .	(0.00)	(1.19)	(0.02)
Net asset value, end of period . . . . .	\$17.89	\$16.92	\$16.68
Total return . . . . .	5.73%	8.48%	9.38%
Net assets, end of period (in millions) . . . . .	\$24	\$25	\$25
Ratio of expenses to average net assets . . . . .	1.41% <sup>(2)</sup>	1.53%	1.60% <sup>(2)</sup>
Ratio of net investment loss to average net assets . . . . .	-0.39% <sup>(2)</sup>	-0.56%	-0.82% <sup>(2)</sup>
Portfolio turnover rate . . . . .	88%	124%	27% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

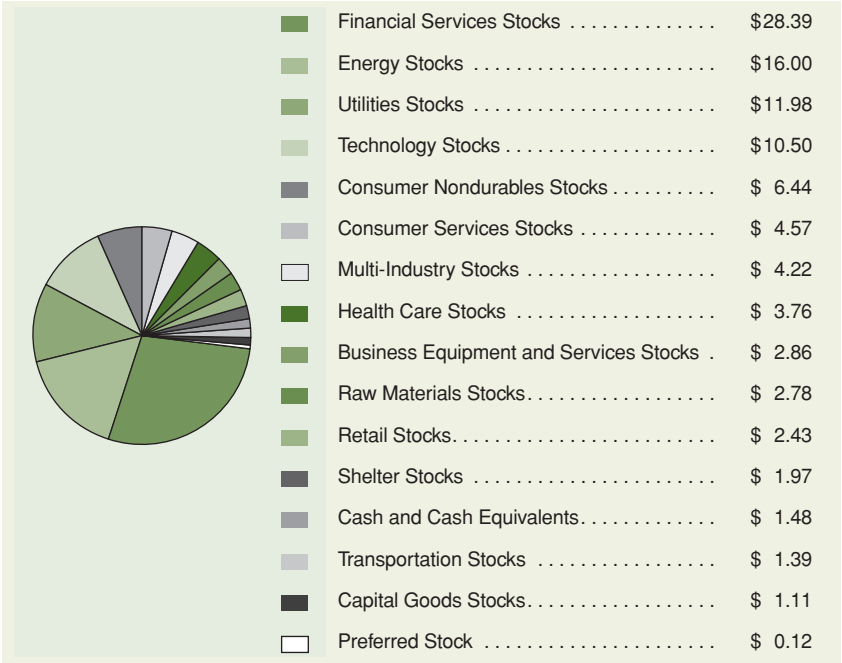
# SHAREHOLDER SUMMARY OF IVY VALUE FUND

## Portfolio Highlights

On September 30, 2005, Ivy Value Fund had net assets totaling \$77,096,197 invested in a diversified portfolio of:

98.40%	Common Stocks
1.48%	Cash and Cash Equivalents
0.12%	Preferred Stock

As a shareholder of the Fund, for every \$100 you had invested on September 30, 2005, your Fund owned:





# The Investments of Ivy Value Fund

September 30, 2005

COMMON STOCKS	Shares	Value
<b>Aircraft – 2.28%</b>		
Lockheed Martin Corporation .....	28,800	<u>\$ 1,757,952</u>
<b>Aluminum – 0.48%</b>		
Alcoa Incorporated (A) .....	15,300	<u>373,626</u>
<b>Banks – 9.35%</b>		
Bank of America Corporation .....	55,956	2,355,748
Citigroup Inc. ....	47,213	2,149,136
Mellon Financial Corporation .....	43,100	1,377,907
Wachovia Corporation .....	12,050	573,460
Wells Fargo & Company .....	12,900	755,553
		<u>7,211,804</u>
<b>Beverages – 1.96%</b>		
Diageo plc, ADR (A) .....	12,950	751,230
Molson Coors Brewing Company, Class B (A) .....	11,900	761,719
		<u>1,512,949</u>
<b>Broadcasting – 1.52%</b>		
Viacom Inc., Class B .....	35,400	<u>1,168,554</u>
<b>Business Equipment and Services – 2.86%</b>		
ARAMARK Corporation, Class B .....	44,100	1,177,911
Waste Management, Inc. (A) .....	36,000	1,029,960
		<u>2,207,871</u>
<b>Capital Equipment – 1.11%</b>		
Illinois Tool Works Inc. ....	10,440	<u>859,525</u>
<b>Chemicals – Petroleum and Inorganic – 0.70%</b>		
du Pont (E.I.) de Nemours and Company .....	13,750	<u>538,587</u>
<b>Chemicals – Specialty – 1.60%</b>		
Air Products and Chemicals, Inc. (A) .....	6,200	341,868
Scotts Miracle-Gro Company (The) .....	10,100	888,093
		<u>1,229,961</u>
<b>Communications Equipment – 0.99%</b>		
Cisco Systems, Inc.* .....	42,500	<u>761,812</u>
<b>Computers – Main and Mini – 0.70%</b>		
International Business Machines Corporation .....	6,750	<u>541,485</u>

See Notes to Schedule of Investments on page 213.

# The Investments of Ivy Value Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Computers – Peripherals – 5.49%</b>		
Lexmark International, Inc., Class A (A)* . . . . .	9,200	\$ 561,660
Microsoft Corporation . . . . .	36,400	936,390
Oracle Corporation* . . . . .	97,200	1,204,794
Symantec Corporation (A)* . . . . .	67,500	1,528,537
		<u>4,231,381</u>
<b>Cosmetics and Toiletries – 0.78%</b>		
NBTY, Inc.* . . . . .	25,500	<u>599,250</u>
<b>Electronic Components – 1.04%</b>		
Intel Corporation (A) . . . . .	32,500	<u>800,962</u>
<b>Finance Companies – 5.54%</b>		
Fannie Mae . . . . .	43,700	1,958,634
Freddie Mac . . . . .	40,900	2,309,214
		<u>4,267,848</u>
<b>Food and Related – 1.35%</b>		
J.M. Smucker Company (The) . . . . .	21,400	<u>1,038,756</u>
<b>Furniture and Furnishings – 1.97%</b>		
Masco Corporation . . . . .	49,500	<u>1,518,660</u>
<b>Health Care – Drugs – 1.58%</b>		
Pfizer Inc. . . . .	48,700	<u>1,216,039</u>
<b>Health Care – General – 2.18%</b>		
Da Vita Inc.* . . . . .	24,800	1,142,536
Wyeth . . . . .	11,600	536,732
		<u>1,679,268</u>
<b>Insurance – Life – 0.52%</b>		
UnumProvident Corporation . . . . .	19,500	<u>399,750</u>
<b>Insurance – Property and Casualty – 5.98%</b>		
Allstate Corporation (The) . . . . .	28,600	1,581,294
Assurant, Inc. . . . .	36,000	1,370,160
St. Paul Companies, Inc. (The) . . . . .	37,052	1,662,523
		<u>4,613,977</u>
<b>Leisure Time Industry – 1.27%</b>		
Cendant Corporation . . . . .	47,400	<u>978,336</u>
<b>Motion Pictures – 1.20%</b>		
News Corporation Limited, Class A . . . . .	59,100	<u>921,369</u>

See Notes to Schedule of Investments on page 213.

# The Investments of Ivy Value Fund

September 30, 2005

COMMON STOCKS (Continued)	Shares	Value
<b>Multiple Industry – 4.22%</b>		
General Electric Company .....	79,300	\$ 2,670,031
NRG Energy, Inc.* .....	13,700	583,620
		<u>3,253,651</u>
<b>Petroleum – International – 16.00%</b>		
Burlington Resources Inc. (A) .....	16,700	1,358,044
ChevronTexaco Corporation .....	47,500	3,074,675
ConocoPhillips (A) .....	21,300	1,489,083
Devon Energy Corporation (A) .....	29,400	2,018,016
Exxon Mobil Corporation .....	69,206	4,397,349
		<u>12,337,167</u>
<b>Publishing – 0.58%</b>		
Gannett Co., Inc. ....	6,550	<u>450,836</u>
<b>Railroad – 1.39%</b>		
Union Pacific Corporation .....	14,900	<u>1,068,330</u>
<b>Retail – Food Stores – 0.25%</b>		
Rite Aid Corporation* .....	49,600	<u>192,448</u>
<b>Retail – General Merchandise – 2.18%</b>		
Dollar General Corporation .....	39,050	716,177
Family Dollar Stores, Inc. ....	48,600	965,682
		<u>1,681,859</u>
<b>Security and Commodity Brokers – 7.00%</b>		
Marsh & McLennan Companies, Inc. (A) .....	34,000	1,033,260
Merrill Lynch & Co., Inc. ....	10,500	644,175
Morgan (J.P.) Chase & Co. ....	65,002	2,205,518
Morgan Stanley (A) .....	14,140	762,712
Prudential Financial, Inc. ....	11,150	753,294
		<u>5,398,959</u>
<b>Tobacco – 2.35%</b>		
Altria Group, Inc. ....	24,600	<u>1,813,266</u>
<b>Utilities – Electric – 4.98%</b>		
Dominion Resources, Inc. (A) .....	12,200	1,050,908
Exelon Corporation .....	20,600	1,100,864
NiSource Inc. ....	16,200	392,850
PPL Corporation .....	40,000	1,293,200
		<u>3,837,822</u>

See Notes to Schedule of Investments on page 213.

# The Investments of Ivy Value Fund

September 30, 2005

<b>COMMON STOCKS</b> (Continued)	<b>Shares</b>	<b>Value</b>
<b>Utilities – Gas and Pipeline – 1.14%</b>		
Enbridge Inc. ....	27,600	<u>\$ 880,992</u>
<b>Utilities – Telephone – 5.86%</b>		
Iowa Telecommunications Services, Inc. ....	44,700	751,854
SBC Communications Inc. ....	50,800	1,217,676
Sprint Nextel Corporation (A) ....	45,700	1,086,746
Verizon Communications Inc. ....	22,700	742,063
Vodafone Group Plc, ADR ....	27,850	723,265
		<u>4,521,604</u>
<b>TOTAL COMMON STOCKS – 98.40%</b>		<b>\$75,866,656</b>
(Cost: \$67,554,087)		
<b>PREFERRED STOCK – 0.12%</b>		
<b>Finance Companies</b>		
Federal National Mortgage Association, 5.375%, Convertible ....	1	<u>\$ 91,600</u>
(Cost: \$100,000)		
	<b>Principal Amount in Thousands</b>	
<b>SHORT-TERM SECURITY – 1.26%</b>		
<b>Utilities – Electric</b>		
Wisconsin Electric Power Co., 3.88%, 10–3–05 ....	\$971	<u>\$ 970,791</u>
(Cost: \$970,791)		
<b>TOTAL INVESTMENT SECURITIES – 99.78%</b>		<b>\$76,929,047</b>
(Cost: \$68,624,878)		
<b>CASH AND OTHER ASSETS, NET OF LIABILITIES – 0.22%</b>		<b>167,150</b>
<b>NET ASSETS – 100.00%</b>		<b>\$77,096,197</b>

See Notes to Schedule of Investments on page 213.

# The Investments of Ivy Value Fund

September 30, 2005

## Notes to Schedule of Investments

\*No dividends were paid during the preceding 12 months.

(A) Securities serve as cover for the following written call options outstanding at September 30, 2005 (See Note 6 to financial statements):

Underlying Security	Contracts Subject to Call	Expiration Month/ Exercise Price	Premium Received	Market Value
Alcoa Incorporated	153	November/29	\$ 4,590	\$ 151
Burlington Resources Inc.	31	October/80	5,617	9,300
ConocoPhillips	35	November/75	3,745	4,550
Dominion Resources, Inc.	30	October/80	3,510	19,500
Devon Energy Corporation	41	October/62.5	2,788	27,388
Intel Corporation	75	October/27.5	2,910	300
Marsh & McLennan Companies, Inc.	139	October/30	3,336	11,120
Morgan Stanley	75	November/57	3,150	3,186
Sprint Nextel Corporation	225	November/27.5	7,650	1,125
Waste Management, Inc.	137	October/30	2,945	1,370
			<u>\$40,241</u>	<u>\$77,990</u>

In addition to the above written call options, the following written put options were outstanding as of September 30, 2005 (See Note 6 to financial statements):

Underlying Security	Contracts Subject to Put	Expiration Month/ Exercise Price	Premium Received	Market Value
Air Products and Chemicals, Inc.	35	December/50	\$ 1,680	\$ 1,750
Diageo plc, ADR	39	October/55	2,462	975
Lexmark International, Inc., Class A	31	October/60	4,092	3,100
Symantec Corporation	184	November/18.5	3,680	920
	173	October/20	4,370	865
	173	October/18.5	8,131	138
Molson Coors Brewing Company, Class B	29	October/55	2,117	145
			<u>\$26,532</u>	<u>\$ 7,893</u>

See Note 1 to financial statements for security valuation and other significant accounting policies concerning investments.

See Note 3 to financial statements for cost and unrealized appreciation and depreciation of investments owned for Federal income tax purposes.

# Statement of Assets and Liabilities

## IVY VALUE FUND

September 30, 2005

(In Thousands, Except for Per Share Amounts)

### ASSETS

Investment securities – at value (cost – \$68,625) (Notes 1 and 3) . . . . .	\$ 76,929
Receivables:	
Fund shares sold . . . . .	272
Dividends and interest . . . . .	118
Investment securities sold . . . . .	2
Prepaid and other assets . . . . .	21
Total assets . . . . .	<u>77,342</u>

### LIABILITIES

Outstanding written options – at value	
(premium received – \$67) (Note 6) . . . . .	86
Accrued management fee (Note 2) . . . . .	45
Payable to Fund shareholders . . . . .	31
Accrued shareholder servicing (Note 2) . . . . .	26
Accrued service fee (Note 2) . . . . .	16
Due to custodian . . . . .	14
Accrued accounting services fee (Note 2) . . . . .	4
Accrued distribution fee (Note 2) . . . . .	4
Other . . . . .	20
Total liabilities . . . . .	<u>246</u>
Total net assets . . . . .	<u>\$ 77,096</u>

### NET ASSETS

Capital paid in (shares authorized – unlimited) . . . . .	\$ 69,996
Accumulated undistributed income (loss):	
Accumulated undistributed net investment income . . . . .	52
Accumulated undistributed net realized loss	
on investment transactions . . . . .	(1,237)
Net unrealized appreciation in value of investments . . . . .	8,285
Net assets applicable to outstanding units of capital . . . . .	<u>\$ 77,096</u>
Net asset value per share (net assets divided by shares outstanding):	
Class A . . . . .	\$16.51
Class B . . . . .	\$16.41
Class C . . . . .	\$16.45
Class Y . . . . .	\$16.51
Capital shares outstanding:	
Class A . . . . .	3,145
Class B . . . . .	227
Class C . . . . .	215
Class Y . . . . .	1,085

See Notes to Financial Statements.

# Statement of Operations

## IVY VALUE FUND

For the Six Months Ended September 30, 2005

(In Thousands)

### INVESTMENT INCOME

Income (Note 1B):	
Dividends (net of foreign withholding taxes of \$1) . . . . .	\$ 783
Interest and amortization . . . . .	31
Total income . . . . .	<u>814</u>
Expenses (Note 2):	
Investment management fee . . . . .	253
Shareholder servicing:	
Class A . . . . .	88
Class B . . . . .	9
Class C . . . . .	8
Class Y . . . . .	15
Service fee:	
Class A . . . . .	55
Class B . . . . .	4
Class C . . . . .	4
Class Y . . . . .	25
Accounting services fee . . . . .	23
Distribution fee:	
Class A . . . . .	3
Class B . . . . .	12
Class C . . . . .	12
Audit fees . . . . .	12
Custodian fees . . . . .	7
Other . . . . .	44
Total expenses . . . . .	<u>574</u>
Net investment income . . . . .	<u>240</u>

### REALIZED AND UNREALIZED GAIN

#### (LOSS) ON INVESTMENTS (NOTES 1 AND 3)

Realized net gain on securities . . . . .	2,954
Realized net loss on purchased options . . . . .	(30)
Realized net gain on written options . . . . .	123
Realized net loss on foreign currency transactions . . . . .	(—)*
Realized net gain on investments . . . . .	<u>3,047</u>
Unrealized depreciation in value of securities during the period . . . . .	(897)
Unrealized depreciation in value of written options during the period . . . . .	(33)
Unrealized depreciation in value of investments during the period . . . . .	(930)
Net gain on investments . . . . .	<u>2,117</u>
Net increase in net assets resulting from operations . . . . .	<u>\$2,357</u>

\*Not shown due to rounding.

See Notes to Financial Statements.

# Statement of Changes in Net Assets

## IVY VALUE FUND

(In Thousands)

	For the six months ended September 30, 2005	For the fiscal year ended March 31, 2005
<b>INCREASE (DECREASE) IN NET ASSETS</b>		
Operations:		
Net investment income . . . . .	\$ 240	\$ 734
Realized net gain on investments . . . . .	3,047	9,988
Unrealized depreciation. . . . .	(930)	(1,316)
Net increase in net assets resulting from operations. . . . .	2,357	9,406
Distributions to shareholders from (Note 1F): <sup>(1)</sup>		
Net investment income:		
Class A . . . . .	(159)	(461)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(91)	(210)
Realized gains on investment transactions:		
Class A . . . . .	(—)	(—)
Class B . . . . .	(—)	(—)
Class C . . . . .	(—)	(—)
Class Y . . . . .	(—)	(—)
	(250)	(671)
Capital share transactions (Note 5) . . . . .	8,585	(18,313)
Total increase (decrease) . . . . .	10,692	(9,578)
<b>NET ASSETS</b>		
Beginning of period. . . . .	66,404	75,982
End of period. . . . .	\$ 77,096	\$ 66,404
Undistributed net investment income . . . . .	\$ 52	\$ 62

(1) See "Financial Highlights" on pages 217 - 220.



# Financial Highlights

## IVY VALUE FUND

### Class A Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the fiscal period ended 3-31-04	For the fiscal year ended 7-31-03	For the period from 10-1-01 to 7-31-02	For the fiscal year ended September 30,		
						2001	2000	1999
Net asset value, beginning of period . . . . .	\$16.04	\$14.54	\$12.54	\$11.81	\$12.59	\$15.08	\$15.14	\$13.88
Income (loss) from investment operations:								
Net investment income. . .	0.05	0.15	0.08	0.12	0.08	0.09	0.06	0.15
Net realized and unrealized gain (loss) on investments . . . . .	0.48	1.48	1.98	0.72	(0.78)	(2.50)	0.13	1.26
Total from investment operations . . . . .	0.53	1.63	2.06	0.84	(0.70)	(2.41)	0.19	1.41
Less distributions from:								
Net investment income. . .	(0.06)	(0.13)	(0.06)	(0.11)	(0.08)	(0.08)	(0.11)	(0.15)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.13)	(0.00)
Tax return of capital . . . . .	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)
Total distributions . . . . .	(0.06)	(0.13)	(0.06)	(0.11)	(0.08)	(0.08)	(0.25)	(0.15)
Net asset value, end of period . . . . .	\$16.51	\$16.04	\$14.54	\$12.54	\$11.81	\$12.59	\$15.08	\$15.14
Total return <sup>(1)</sup> . . . . .	3.27%	11.21%	16.32%	7.23%	-5.72%	-15.97%	1.26%	10.13%
Net assets, end of period (in millions) . . . . .	\$52	\$41	\$52	\$64	\$58	\$66	\$81	\$93
Ratio of expenses to average net assets including voluntary expense waiver. . . . .	1.57% <sup>(2)</sup>	1.47%	1.45% <sup>(2)(3)</sup>	1.29%	1.24% <sup>(2)</sup>	1.24%	1.24%	1.21%
Ratio of net investment income to average net assets including voluntary expense waiver. . . . .	0.68% <sup>(2)</sup>	0.92%	0.61% <sup>(2)(3)</sup>	1.05%	0.70% <sup>(2)</sup>	0.61%	0.43%	0.94%
Ratio of expenses to average net assets excluding voluntary expense waiver. . . . .	NA	NA	1.52% <sup>(2)(3)</sup>	1.50%	1.41% <sup>(2)</sup>	1.39%	1.34%	1.23%
Ratio of net investment income to average net assets excluding voluntary expense waiver. . . . .	NA	NA	0.53% <sup>(2)(3)</sup>	0.84%	0.53% <sup>(2)</sup>	0.46%	0.33%	0.92%
Portfolio turnover rate . . . . .	16%	81%	86%	123%	95%	148%	180%	79%

(1) Total return calculated without taking into account the sales load deducted on an initial purchase.

(2) Annualized.

(3) In connection with the reorganization plan effected December 8, 2003, Class B and Class C shares of the predecessor Advantus Fund were exchanged into Class A shares at the time of the merger. The ratios shown above reflect a blended rate that includes the effect of income and expenses for those Class B and Class C shares from August 1, 2003 up to the time of the merger. Actual expenses that applied to Class A shareholders were lower than shown above.

See Notes to Financial Statements.

# Financial Highlights

## IVY VALUE FUND

Class B Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$15.97	\$14.50	\$13.63
Income (loss) from investment operations:			
Net investment income (loss) . . . . .	(0.02)	0.03	0.01
Net realized and unrealized gain on investments . . . . .	0.46	1.44	0.90
Total from investment operations . . . . .	0.44	1.47	0.91
Less distributions from:			
Net investment income . . . . .	(0.00)	(0.00)	(0.04)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.04)
Net asset value, end of period . . . . .	\$16.41	\$15.97	\$14.50
Total return . . . . .	2.75%	10.14%	6.65%
Net assets, end of period (in millions) . . . . .	\$4	\$2	\$1
Ratio of expenses to average net assets . . . . .	2.53% <sup>(2)</sup>	2.53%	3.12% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets . . . . .	-0.28% <sup>(2)</sup>	0.07%	-1.29% <sup>(2)</sup>
Portfolio turnover rate . . . . .	16%	81%	86% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY VALUE FUND

Class C Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$16.00	\$14.51	\$13.63
Income (loss) from investment operations:			
Net investment income (loss) . . . . .	(0.02)	0.03	0.02
Net realized and unrealized gain on investments . . . . .	0.47	1.46	0.90
Total from investment operations . . . . .	0.45	1.49	0.92
Less distributions from:			
Net investment income . . . . .	(0.00)	(0.00)	(0.04)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.00)	(0.00)	(0.04)
Net asset value, end of period . . . . .	\$16.45	\$16.00	\$14.51
Total return . . . . .	2.81%	10.27%	6.73%
Net assets, end of period (in millions) . . . . .	\$3	\$3	\$1
Ratio of expenses to average net assets . . . . .	2.45% <sup>(2)</sup>	2.42%	2.90% <sup>(2)</sup>
Ratio of net investment income (loss) to average net assets . . . . .	-0.19% <sup>(2)</sup>	0.15%	-1.18% <sup>(2)</sup>
Portfolio turnover rate . . . . .	16%	81%	86% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

# Financial Highlights

## IVY VALUE FUND

Class Y Shares

For a Share of Capital Stock Outstanding Throughout Each Period:

	For the six months ended 9-30-05	For the fiscal year ended 3-31-05	For the period from 12-8-03 <sup>(1)</sup> to 3-31-04
Net asset value, beginning of period . . . . .	\$16.05	\$14.54	\$13.63
Income from investment operations:			
Net investment income . . . . .	0.07	0.17	0.01
Net realized and unrealized gain on investments . . . . .	0.46	1.49	0.95
Total from investment operations . . . . .	0.53	1.66	0.96
Less distributions from:			
Net investment income . . . . .	(0.07)	(0.15)	(0.05)
Capital gains . . . . .	(0.00)	(0.00)	(0.00)
Total distributions . . . . .	(0.07)	(0.15)	(0.05)
Net asset value, end of period . . . . .	\$16.51	\$16.05	\$14.54
Total return . . . . .	3.34%	11.44%	7.05%
Net assets, end of period (in millions) . . . . .	\$18	\$20	\$22
Ratio of expenses to average net assets . . . . .	1.32% <sup>(2)</sup>	1.34%	1.48% <sup>(2)</sup>
Ratio of net investment income to average net assets . . . . .	0.91% <sup>(2)</sup>	1.09%	0.35% <sup>(2)</sup>
Portfolio turnover rate . . . . .	16%	81%	86% <sup>(3)</sup>

(1) Commencement of operations of the class.

(2) Annualized.

(3) For the eight months ended March 31, 2004.

See Notes to Financial Statements.

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# Notes To Financial Statements

*September 30, 2005*

## **NOTE 1 – Significant Accounting Policies**

Ivy Funds (formerly Ivy Fund) (the Trust) is organized as a Massachusetts business trust under a Declaration of Trust dated December 21, 1983 and is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company. The Trust issues fifteen series of capital shares; each series represents ownership of a separate mutual fund (Fund). Ivy Balanced Fund, Ivy Bond Fund, Ivy Cash Reserves Fund, Ivy Cundill Global Value Fund, Ivy Dividend Income Fund, Ivy European Opportunities Fund, Ivy Global Natural Resources Fund, Ivy International Fund, Ivy International Balanced Fund, Ivy International Value Fund, Ivy Mortgage Securities Fund, Ivy Pacific Opportunities Fund, Ivy Real Estate Securities Fund, Ivy Small Cap Value Fund and Ivy Value Fund (the Funds) are those mutual funds. The assets belonging to each Fund are held separately by the custodian. The capital shares of each Fund represent a pro rata beneficial interest in the principal, net income and realized and unrealized capital gains or losses of its respective investments and other assets. The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements. The policies are in conformity with accounting principles generally accepted in the United States of America.

- A. Security valuation** – Each stock and convertible bond is valued at the latest sale price thereof on each business day of the fiscal period as reported by the principal securities exchange on which the issue is traded or, if no sale is reported for a stock, the average of the latest bid and asked prices. Bonds, other than convertible bonds, are valued using a pricing system provided by a pricing service or dealer in bonds. Convertible bonds are valued using this pricing system only on days when there is no sale reported. Stocks which are traded over-the-counter are priced using the Nasdaq Stock Market, which provides information on bid and asked prices quoted by major dealers in such stocks. Restricted securities and securities for which quotations are not readily available or are deemed not to be reliable because of significant events or circumstances identified between the closing of their principal markets and the closing of the New York Stock Exchange are valued at fair value as determined in good faith under procedures established by and under the general supervision of the Trust's Board of Trustees. In deciding whether to make fair value adjustments, each Fund reviews a variety of factors, including news relating to security specific events, developments in foreign markets, the performance of U.S. securities markets, and the performance of instruments trading in U.S. markets that represent foreign securities. In these cases, the Fund may utilize information from a pricing service to adjust closing market quotations of foreign securities to reflect what it believes to be fair value. Short-term debt securities are valued at amortized cost, which approximates market value. Short-term debt securities denominated in foreign currencies are valued at amortized cost in that currency.
- B. Security transactions and related investment income** – Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Securities gains and losses are calculated on the identified cost basis. Premium and discount on the purchase of bonds are amortized for both financial and tax reporting purposes over the remaining lives of the bonds. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recorded as soon as the Fund is informed of the ex-dividend date. Interest income is recorded on the accrual basis. See Note 3 – Investment Securities Transactions.

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- C. Foreign currency translations** – All assets and liabilities denominated in foreign currencies are translated into United States dollars daily. Purchases and sales of investment securities and accruals of income and expenses are translated at the rate of exchange prevailing on the date of the transaction. For assets and liabilities other than investments in securities, net realized and unrealized gains and losses from foreign currency translation arise from changes in currency exchange rates. The Trust combines fluctuations from currency exchange rates and fluctuations in market value when computing net realized and unrealized gain or loss from investments.
- D. Forward foreign currency exchange contracts** – A forward foreign currency exchange contract (Forward Contract) is an obligation to purchase or sell a specific currency at a future date at a fixed price. Forward Contracts are “marked-to-market” daily at the applicable translation rates and the resulting unrealized gains or losses are reflected in the Trust’s financial statements. Gains or losses are realized by the Trust at the time the Forward Contract is extinguished. Contracts may be extinguished either by entry into a closing transaction or by delivery of the currency. Risks may arise from the possibility that the other party will not complete the obligations of the contract and from unanticipated movements in the value of the foreign currency relative to the United States dollar. The Trust uses Forward Contracts to attempt to reduce the overall risk of its investments.
- E. Federal income taxes** – It is the Trust’s policy to distribute all of its taxable income and capital gains to its shareholders and otherwise qualify as a regulated investment company under Subchapter M of the Internal Revenue Code. In addition, the Trust intends to pay distributions as required to avoid imposition of excise tax. Accordingly, provision has not been made for Federal income taxes. See Note 4 – Federal Income Tax Matters.
- F. Dividends and distributions** – Dividends and distributions to shareholders are recorded by each Fund on the business day following record date. Net investment income dividends and capital gains distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America. These differences are due to differing treatments for items such as deferral of wash sales and post-October losses, foreign currency transactions, net operating losses and expiring capital loss carryovers.
- G. Repurchase agreements** – Repurchase agreements are collateralized by the value of the resold securities which, during the entire period of the agreement, remains at least equal to the value of the loan, including accrued interest thereon. The collateral for the repurchase agreement is held by the Trust’s custodian bank.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

## **NOTE 2 – Investment Management and Payments to Affiliated Persons**

Ivy Investment Management Company (IICO), a wholly owned subsidiary of Waddell & Reed Financial, Inc. (WDR), serves as the investment manager for each Fund. Prior to March 8, 2005, IICO was known as Waddell & Reed Ivy Investment Company. IICO provides advice and supervises investments for which services it is paid a fee. The fee is payable by each Fund at the following annual rates:

<b>Fund</b>	<b>Net Asset Breakpoints</b>	<b>Annual Rate</b>
Ivy Balanced Fund	Up to \$1 Billion	0.70%
	Over \$1 Billion up to \$2 Billion	0.65%
	Over \$2 Billion up to \$3 Billion	0.60%
	Over \$3 Billion	0.55%
Ivy Bond Fund	Up to \$500 Million	0.525%
	Over \$500 Million and up to \$1 Billion	0.50%
	Over \$1 Billion and up to \$1.5 Billion	0.45%
	Over \$1.5 Billion	0.40%
Ivy Cash Reserves Fund (formerly Ivy Money Market Fund)	All levels	0.40%
Ivy Cundill Global Value Fund	Up to \$500 Million	1.00%
	Over \$500 Million and up to \$1 Billion	0.85%
	Over \$1 Billion and up to \$2 Billion	0.83%
	Over \$2 Billion and up to \$3 Billion	0.80%
	Over \$3 Billion	0.76%
Ivy Dividend Income Fund	Up to \$1 Billion	0.70%
	Over \$1 Billion up to \$2 Billion	0.65%
	Over \$2 Billion up to \$3 Billion	0.60%
	Over \$3 Billion	0.55%
Ivy European Opportunities Fund	Up to \$250 Million	1.00%
	Over \$250 Million up to \$500 Million	0.85%
	Over \$500 Million	0.75%
Ivy Global Natural Resources Fund	Up to \$500 Million	1.00%
	Over \$500 Million and up to \$1 Billion	0.85%
	Over \$1 Billion and up to \$2 Billion	0.83%
	Over \$2 Billion and up to \$3 Billion	0.80%
	Over \$3 Billion	0.76%
Ivy International Fund	Up to \$2 Billion	1.00%
	Over \$2 Billion up to \$2.5 Billion	0.90%
	Over \$2.5 Billion up to \$3 Billion	0.80%
	Over \$3 Billion	0.70%
Ivy International Balanced Fund	Up to \$1 Billion	0.70%
	Over \$1 Billion up to \$2 Billion	0.65%
	Over \$2 Billion up to \$3 Billion	0.60%
	Over \$3 Billion	0.55%
Ivy International Value Fund	Up to \$500 Million	1.00%
	Over \$500 Million and up to \$1 Billion	0.85%
	Over \$1 Billion and up to \$2 Billion	0.83%
	Over \$2 Billion and up to \$3 Billion	0.80%
	Over \$3 Billion	0.76%

<b>Fund</b>	<b>Net Asset Breakpoints</b>	<b>Annual Rate</b>
Ivy Mortgage Securities Fund	Up to \$500 Million	0.50%
	Over \$500 Million and up to \$1 Billion	0.45%
	Over \$1 Billion and up to \$1.5 Billion	0.40%
	Over \$1.5 Billion	0.35%
Ivy Pacific Opportunities Fund	Up to \$500 Million	1.00%
	Over \$500 Million and up to \$1 Billion	0.85%
	Over \$1 Billion and up to \$2 Billion	0.83%
	Over \$2 Billion and up to \$3 Billion	0.80%
	Over \$3 Billion	0.76%
Ivy Real Estate Securities Fund	Up to \$1 Billion	0.90%
	Over \$1 Billion up to \$2 Billion	0.87%
	Over \$2 Billion up to \$3 Billion	0.84%
	Over \$3 Billion	0.80%
Ivy Small Cap Value Fund	Up to \$1 Billion	0.85%
	Over \$1 Billion up to \$2 Billion	0.83%
	Over \$2 Billion up to \$3 Billion	0.80%
	Over \$3 Billion	0.76%
Ivy Value Fund	Up to \$1 Billion	0.70%
	Over \$1 Billion up to \$2 Billion	0.65%
	Over \$2 Billion up to \$3 Billion	0.60%
	Over \$3 Billion	0.55%

These fees are accrued daily and are paid monthly. However, IICO has voluntarily agreed to waive its management fee for Ivy Dividend Income Fund on any day that the Fund's net assets are less than \$25 million, subject to IICO's right to change or modify this waiver.

The Investment Advisory Agreement between the Trust on behalf of Global Natural Resources Fund and Mackenzie Financial Corporation (MFC) lapsed on February 28, 2003, due to an administrative error that was not discovered until late in 2003. Consequently, at a special shareholder meeting held on September 9, 2004, the shareholders of Global Natural Resources Fund, in conjunction with the authorization and recommendation of the Board of Trustees of Ivy Funds, approved the following: (i) a new investment management agreement between the Trust, on behalf of Global Natural Resources Fund and IICO, including a fee payable to IICO, by Global Natural Resources Fund, at an annual rate of 1.00% of Global Natural Resources Fund's average daily net assets up to \$500 million, 0.85% of net assets over \$500 million and up to \$1 billion, 0.83% of net assets over \$1 billion and up to \$2 billion, 0.80% of net assets over \$2 billion and up to \$3 billion, and 0.76% of net assets over \$3 billion; (ii) a subadvisory agreement between IICO and MFC with respect to Global Natural Resources Fund, including a fee payable to MFC, by IICO, at an annual rate of 0.50% of Global Natural Resources Fund's average daily net assets up to \$500 million, 0.425% of net assets over \$500 million and up to \$1 billion, 0.415% of net assets over \$1 billion and up to \$2 billion, 0.40% of net assets over \$2 billion and up to \$3 billion, and 0.38% of net assets over \$3 billion; (iii) the retention of fees paid and payment of fees payable for investment advisory services rendered by MFC for the period from March 1, 2003 through the effective date of the subadvisory agreement, September 9, 2004.



Cundill Investment Research Ltd. serves as subadvisor to Ivy Cundill Global Value Fund under an agreement with IICO and receives a fee that is shown in the following table:

<b>Fund</b>	<b>Net Asset Breakpoints</b>	<b>Annual Rate</b>
Ivy Cundill Global Value Fund	On the first \$500 Million	0.50%
	On the next \$500 Million	0.425%
	On the next \$1 Billion	0.415%
	On the next \$1 Billion	0.40%
	On all assets exceeding \$3 Billion	0.38%

Henderson Global Investors (North America) Inc. (HGINA) serves as subadvisor to Ivy European Opportunities Fund under an agreement with IICO. Henderson Investment Management Ltd., under a subadvisory agreement with HGINA, serves as subadvisor to the Fund. Prior to July 1, 2004 HGINA received a fee payable monthly at an annual rate of 0.45% of the first \$100,000,000 of net assets and 0.40% thereafter of the portion of the Fund's average daily net assets managed by HGINA.

Effective July 1, 2004, HGINA receives a fee payable monthly at an annual rate of 0.50% of average net assets.

Advantus Capital Management, Inc. serves as subadvisor to Ivy Bond Fund, Ivy Mortgage Securities Fund and Ivy Real Estate Securities Fund under an agreement with IICO and receives a fee equal to, on an annual basis, 0.27%, 0.30% and 0.55% of the respective Fund's average net assets.

State Street Research & Management Company (SSRM) served as subadvisor to Ivy Small Cap Value Fund under an agreement with IICO and received a fee equal to, on an annual basis, 0.50% of the Fund's average net assets.

MetLife, Inc., (MetLife), the parent company of State Street Research & Management Company (State Street) entered into an agreement in the fall of 2004 to sell SSRM Holding, Inc., and its subsidiary, State Street, to BlackRock, Inc. The sale was completed in January 2005, and, when completed, resulted in the automatic termination of the former investment subadvisory agreement for that Fund. IICO proposed to the Board of Trustees, and the Board approved, a new subadvisory agreement with BlackRock Financial Management, Inc., an indirect wholly owned subsidiary of BlackRock, Inc. At a special meeting of shareholders held January 27, 2005, the new agreement was also approved by shareholders.

BlackRock Financial Management, Inc. receives a fee equal to, on an annual basis, 0.50% of the Fund's average net assets.

Templeton Investment Counsel, LLC serves as subadvisor to Ivy International Balanced Fund under an agreement with IICO and receives a fee that is shown in the following table:

<b>Fund</b>	<b>Net Asset Breakpoints</b>	<b>Annual Rate</b>
Ivy International Balanced Fund	On the first \$100 Million	0.50%
	All assets exceeding \$100 Million	0.40%

Pursuant to a Master Fund Accounting Services Agreement, IICO provides certain accounting and pricing services for each Fund. As of March 18, 2003, IICO assigned its responsibilities under the Accounting Services Agreement to Waddell & Reed Services Company (WRSCO), an indirect subsidiary of WDR. For these services, each Fund pays WRSCO a monthly fee of one-twelfth of the annual fee shown in the following table:

<b>Accounting Services Fee</b>	
<b>Average Net Asset Level (in millions)</b>	<b>Annual Fee Rate for Each Level</b>
From \$ 0 to \$ 10	\$ 0
From \$ 10 to \$ 25	\$ 11,500
From \$ 25 to \$ 50	\$ 23,100
From \$ 50 to \$ 100	\$ 35,500
From \$ 100 to \$ 200	\$ 48,400
From \$ 200 to \$ 350	\$ 63,200
From \$ 350 to \$ 550	\$ 82,500
From \$ 550 to \$ 750	\$ 96,300
From \$ 750 to \$1,000	\$121,600
\$1,000 and Over	\$148,500

In addition, for each class of shares in excess of one, each Fund pays WRSCO a monthly per-class fee equal to 2.5% of the monthly accounting services base fee.

Under the Shareholder Servicing Agreement, with respect to Class A, Class B, Class C, Class I and Advisor Class shares, for each shareholder account that was in existence at any time during the prior month: Ivy Balanced Fund, Ivy Dividend Income Fund, Ivy International Balanced Fund, Ivy Real Estate Securities Fund, Ivy Small Cap Value Fund and Ivy Value Fund pay WRSCO a monthly fee of \$1.5792; Ivy Bond Fund and Ivy Mortgage Securities Fund pay WRSCO a monthly fee of \$1.6958; and Ivy Cundill Global Value Fund, Ivy European Opportunities Fund, Ivy Global Natural Resources Fund, Ivy International Fund, Ivy International Value Fund and Ivy Pacific Opportunities Fund each pay the Agent a monthly fee of \$1.5042. Ivy Cash Reserves Fund pays the Agent a monthly fee of \$1.75 for each shareholder account that was in existence at any time during the prior month plus, for Class A shareholder accounts, \$0.75 for each shareholder check processed in the prior month. For Class Y shares, each Fund pays the Agent a monthly fee at an annual rate of 0.15% of the average daily net assets of the class for the preceding month. Each Fund also reimburses WRSCO for certain out-of-pocket costs for all classes. Certain broker-dealers that maintain shareholder accounts with each Fund through an omnibus account provide transfer agent and other shareholder-related services that would otherwise be provided by WRSCO if the individual accounts that comprise the omnibus account were opened by their beneficial owners directly. WRSCO pays such broker-dealers a per account fee for each open account within the omnibus account, or a fixed rate (e.g., 0.10%) fee, based on the average daily net asset value of the omnibus account (or a combination thereof).

Pursuant to an Administrative Services Agreement, IICO provides certain administrative services to each Fund. The administrative fee for each Fund is a monthly fee at the annual rate of 0.01% of each Fund's average daily net assets.

As principal underwriter for the Trust's shares, IFDI receives sales commissions (which are not an expense of the Trust) for Class A shares. A contingent deferred sales charge (CDSC) may be assessed against a shareholder's redemption amount of Class B, Class C or certain Class A shares and is paid to IFDI. During the six month period ended September 30, 2005, IFDI received the following amounts in sales commissions and CDSC:

	Sales Commissions	CDSC		
		Class A	Class B	Class C
Ivy Balanced Fund .....	\$ 84,475	\$ 427	\$ 1,713	\$ 324
Ivy Bond Fund .....	93,988	—	1,784	269
Ivy Cash Reserves Fund .....	—	—	534	—
Ivy Cundill Global Value Fund .....	1,564,804	74	38,675	14,420
Ivy Dividend Income Fund .....	182,806	—	3,874	447
Ivy European Opportunities Fund .....	672,411	1,192	44,297	6,419
Ivy Global Natural Resources Fund ...	2,690,218	13,080	148,987	69,328
Ivy International Fund .....	12,338	—	4,907	3
Ivy International Balanced Fund .....	417,899	46	3,891	570
Ivy International Value Fund .....	58,691	—	3,118	33
Ivy Mortgage Securities Fund .....	692,287	1,909	4,300	3,864
Ivy Pacific Opportunities Fund .....	407,352	6	2,067	972
Ivy Real Estate Securities Fund .....	799,399	3,223	14,692	1,842
Ivy Small Cap Value Fund .....	268,587	457	4,981	575
Ivy Value Fund .....	185,945	1,445	2,766	312

With respect to Class A, Class B and Class C shares, IFDI pays sales commissions and all expenses in connection with the sale of the Trust's shares, except for registration fees and related expenses. During the six month period ended September 30, 2005, IFDI paid the following amounts:

Ivy Balanced Fund .....	\$ 96,124
Ivy Bond Fund .....	103,420
Ivy Cash Reserves Fund .....	—
Ivy Cundill Global Value Fund .....	2,170,416
Ivy Dividend Income Fund .....	209,805
Ivy European Opportunities Fund .....	810,587
Ivy Global Natural Resources Fund .....	4,846,736
Ivy International Fund .....	16,511
Ivy International Balanced Fund .....	471,241
Ivy International Value Fund .....	93,454
Ivy Mortgage Securities Fund .....	794,826
Ivy Pacific Opportunities Fund .....	443,493
Ivy Real Estate Securities Fund .....	879,566
Ivy Small Cap Value Fund .....	302,420
Ivy Value Fund .....	199,125

Under a Distribution and Service Plan for Class A shares adopted by the Trust pursuant to Rule 12b-1 under the Investment Company Act of 1940, each Fund (except for Ivy Cash Reserves Fund) may pay a distribution and/or service fee to IFDI in an amount not to exceed 0.25% of the Fund's average annual net assets attributable to that class. The fee is to be paid to reimburse IFDI for amounts it expends in connection with the distribution of the Class A shares and/or provision of personal services to Fund shareholders and/or maintenance of shareholder accounts.

Under a Distribution and Service Plan for Class B and Class C shares adopted by the Trust pursuant to Rule 12b-1 under the Investment Company Act of 1940, each Fund (except for Ivy Cash Reserves Fund) may pay IFDI a service fee in an amount not to exceed 0.25% of the Fund's average annual net assets attributable to that class. The fee is to be paid to reimburse IFDI for amounts it expends in connection with the provision of personal services to Fund shareholders and/or maintenance of shareholder accounts.

Under the Distribution and Service Plan for Class B shares and Class C shares adopted by the Trust pursuant to Rule 12b-1 under the Investment Company Act of 1940, each Fund (except for Ivy Cash Reserves Fund) may pay IFDI a distribution fee not to exceed 0.75% of the Fund's average annual net assets attributable to that class to compensate IFDI for its services in connection with the distribution of shares of that class. The Class B Plan and the Class C Plan each permit IFDI to receive compensation, through the distribution fee for its distribution activities for that class.

Under the Class Y Plan, each Fund (except for Ivy Cash Reserves Fund) may pay IFDI a fee of up to 0.25%, on an annual basis, of the average daily net assets attributable to that class to compensate IFDI for, either directly or through third parties, distributing the Class Y shares of that Fund, providing personal service to Class Y shareholders and/or maintenance of Class Y shareholder accounts.

For Ivy Cundill Global Value Fund, Ivy Global Natural Resources Fund, Ivy International Value Fund and Ivy Pacific Opportunities Fund, IICO has agreed to reimburse a Fund's expenses, for the calendar year ended December 31, 2004, and for the following seven years, to the extent necessary to ensure that the Fund's annual operating expenses, when calculated at the Fund level, do not exceed 2.50% (0.85% through December 31, 2004, then 1.25% for Cash Reserves Fund) of the Fund's average net assets (excluding 12b-1 fees and certain other expenses.) During the six month period ended September 30, 2005, IICO reimbursed the Fund's expenses (in thousands) as shown in the following table:

Ivy Cash Reserves Fund ..... \$33

IICO has agreed to reimburse Ivy Mortgage Securities Fund's 12b-1 expenses applicable to Class A shares to ensure that the Fund's annual operating expenses for Class A shares do not exceed 0.95% through September 30, 2005. During the six month period ended September 30, 2005, IICO reimbursed Funds' expenses (in thousands) as shown in the following table:

Ivy Mortgage Securities Fund ..... \$238

In addition, IFDI and WRSCO have voluntarily agreed to waive sufficient Fund expenses to ensure that the total annual fund operating expenses do not exceed the following levels for the specified funds/classes:

Fund and Class	Expense Limitation (as a percentage of average net assets of each Class)
Ivy Cundill Global Value Fund, Class A .....	1.90%
Ivy Cundill Global Value Fund, Class C .....	2.55%
Ivy Cundill Global Value Fund, Class Y .....	1.20%
Ivy Global Natural Resources Fund, Class A .....	1.70%
Ivy Global Natural Resources Fund, Class C .....	2.40%
Ivy Global Natural Resources Fund, Class Y.....	1.20%

During the six month period ended September 30, 2005, IICO reimbursed the Fund's expenses (in thousands) as shown:

Ivy Cundill Global Value Fund, Class Y . . . . .	\$18
Ivy Global Natural Resources Fund, Class Y . . . . .	32

These reimbursements serve to reduce distribution and service fees.

The Trust paid Directors' regular compensation of \$112,136, which is included in other expenses.

### NOTE 3 – Investment Securities Transactions

Investment securities transactions for the six month period ended September 30, 2005 are summarized as follows:

	Ivy Balanced Fund	Ivy Bond Fund	Ivy Cundill Global Value Fund
Purchases of investment securities, excluding short-term and U.S. government securities . . . . .	\$ 24,110,539	\$ 13,131,550	\$ 206,448,920
Purchases of U.S. government securities . . . . .	795,500	30,936,541	—
Purchases of short-term securities . . . . .	466,167,187	365,475,033	1,823,835,335
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government securities . . . . .	28,603,954	8,760,843	20,854,534
Proceeds from maturities and sales of U.S. government securities	1,409,488	29,839,329	—
Proceeds from maturities and sales of short-term securities . . .	466,700,250	368,707,874	1,819,375,810
	Ivy Dividend Income Fund	Ivy European Opportunities Fund	Ivy Global Natural Resources Fund
Purchases of investment securities, excluding short-term and U.S. government securities . . . . .	\$ 12,902,748	\$ 117,722,072	\$ 1,255,534,503
Purchases of U.S. government securities . . . . .	—	—	—
Purchases of short-term securities . . . . .	406,274,063	1,722,343,700	4,304,049,726
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government securities . . . . .	4,627,718	75,124,884	825,297,036
Proceeds from maturities and sales of U.S. government securities . . .	—	—	—
Proceeds from maturities and sales of short-term securities . . . . .	400,263,451	1,742,416,878	4,272,094,370

	Ivy International Fund	Ivy International Balanced Fund	Ivy International Value Fund
Purchases of investment securities, excluding short-term and U.S. government securities. . . . .	\$ 38,698,057	\$ 27,918,773	\$ 22,283,882
Purchases of U.S. government securities. . . . .	—	—	—
Purchases of short-term securities . . . . .	259,143,738	699,701,045	404,744,418
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government securities. . . . .	57,341,565	9,018,031	18,840,180
Proceeds from maturities and sales of U.S. government securities. . . . .	—	—	—
Proceeds from maturities and sales of short-term securities. . . . .	259,608,382	701,603,320	403,422,000
	Ivy Mortgage Securities Fund	Ivy Pacific Opportunities Fund	Ivy Real Estate Securities Fund
Purchases of investment securities, excluding short-term and U.S. government securities. . . . .	\$ 49,892,851	\$ 68,923,729	\$ 107,131,603
Purchases of U.S. government securities. . . . .	218,434,688	—	—
Purchases of short-term securities . . . . .	1,380,253,178	373,117,082	519,889,402
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government securities. . . . .	19,044,138	42,148,453	55,007,263
Proceeds from maturities and sales of U.S. government securities. . . . .	203,703,466	—	—
Proceeds from maturities and sales of short-term securities. . . . .	1,394,807,284	377,300,539	520,147,390

	Ivy Small Cap Value Fund	Ivy Value Fund
Purchases of investment securities, excluding short-term and U.S. government securities . . . . .	\$ 93,502,683	\$ 21,146,873
Purchases of U.S. government securities . . . . .	—	—
Purchases of short-term securities . . . . .	427,362,949	239,350,114
Purchases of options . . . . .	—	105,124
Proceeds from maturities and sales of investment securities, excluding short-term and U.S. government securities . . . . .	93,200,173	11,584,922
Proceeds from maturities and sales of U.S. government securities . . . . .	—	—
Proceeds from maturities and sales of short-term securities . . . . .	423,114,533	240,485,000
Proceeds from options . . . . .	—	75,238

For Federal income tax purposes, cost of investments owned at September 30, 2005 and the related unrealized appreciation (depreciation) were as follows:

	Cost	Appreciation	Depreciation	Aggregate Appreciation (Depreciation)
Ivy Balanced Fund . . . . .	\$ 88,678,627	\$ 10,622,709	\$ 1,492,494	\$ 9,130,215
Ivy Bond Fund . . . . .	57,199,907	202,500	639,800	(437,300)
Ivy Cash Reserves Fund . . . . .	5,188,458	—	—	—
Ivy Cundill Global Value Fund . . . . .	624,936,440	85,389,661	8,917,419	76,472,242
Ivy Dividend Income Fund . . . . .	56,962,944	11,315,648	823,646	10,492,002
Ivy European Opportunities Fund . . . . .	240,740,191	64,993,908	9,153,605	55,840,303
Ivy Global Natural Resources Fund . . . . .	1,743,119,611	406,004,387	27,459,520	378,544,867
Ivy International Fund . . . . .	114,171,168	36,160,536	354,329	35,806,207
Ivy International Balanced Fund . . . . .	107,223,914	19,439,953	1,886,572	17,553,381
Ivy International Value Fund . . . . .	44,218,246	12,397,782	185,627	12,212,155
Ivy Mortgage Securities Fund . . . . .	274,457,953	950,057	3,879,561	(2,929,504)
Ivy Pacific Opportunities Fund . . . . .	103,315,314	19,069,360	2,979,335	16,090,025
Ivy Real Estate Securities Fund . . . . .	339,348,172	78,511,894	219,517	78,292,377
Ivy Small Cap Value Fund . . . . .	107,202,028	11,071,371	2,802,512	8,268,859
Ivy Value Fund . . . . .	68,726,444	10,852,123	2,649,520	8,202,603

## NOTE 4 – Federal Income Tax Matters

For Federal income tax purposes, the Funds distributed and undistributed earnings and profit for the fiscal year ended March 31, 2005 and the related Capital Loss Carryover and Post-October activity were as follows:

	Ivy Balanced Fund	Ivy Bond Fund	Ivy Cash Reserves Fund
Net ordinary income . . . . .	\$1,130,450	\$1,379,097	\$53,041
Distributed ordinary income . . . . .	1,108,112	1,354,137	51,821
Undistributed ordinary income . . . . .	51,428*	29,817*	7,040*
Realized long-term capital gains . . . . .	—	—	—
Distributed long-term capital gains . . . . .	—	—	—
Undistributed long-term capital gains . . . . .	—	—	—
Capital loss carryover . . . . .	—	—	—
Post-October losses deferred . . . . .	—	—	—

	Ivy Cundill Global Value Fund	Ivy Dividend Income Fund	Ivy European Opportunities Fund
Net ordinary income . . . . .	\$ 230,382	\$240,855	\$ —
Distributed ordinary income . . . . .	1,291,233	346,502	91,085
Undistributed ordinary income . . . . .	229,115	23,999*	—
Realized long-term capital gains . . . . .	758,807	138,492	—
Distributed long-term capital gains . . . . .	—	2,423	—
Undistributed long-term capital gains . . . . .	758,807	138,435	—
Capital loss carryover . . . . .	—	—	—
Post-October losses deferred . . . . .	—	—	52,629

	Ivy Global Natural Resources Fund	Ivy International Fund	Ivy International Balanced Fund
Net ordinary income . . . . .	\$75,812,078	\$ —	\$1,270,583
Distributed ordinary income . . . . .	142,978	—	1,480,880
Undistributed ordinary income . . . . .	75,808,139	—	258,739*
Realized long-term capital gains . . . . .	4,114,584	—	2,125,614
Distributed long-term capital gains . . . . .	—	—	412,844
Undistributed long-term capital gains . . . . .	4,114,584	—	1,712,770
Capital loss carryover . . . . .	—	—	—
Post-October losses deferred . . . . .	163,319	75,328	—

\*This entire amount was distributed prior to September 30, 2005.



	Ivy International Value Fund	Ivy Mortgage Securities Fund	Ivy Pacific Opportunities Fund
Net ordinary income . . . . .	\$ —	\$7,805,417	\$ —
Distributed ordinary income . . . . .	—	7,735,756	—
Undistributed ordinary income . . . . .	—	121,474*	—
Realized long-term capital gains . . . . .	—	—	—
Distributed long-term capital gains . . . . .	—	—	—
Undistributed long-term capital gains . . . . .	—	—	—
Capital loss carryover . . . . .	—	—	—
Post-October losses deferred . . . . .	—	67,640	—

	Ivy Real Estate Securities Fund	Ivy Small Cap Value Fund	Ivy Value Fund
Net ordinary income . . . . .	\$ 8,543,008	\$ 363,331	\$738,395
Distributed ordinary income . . . . .	7,952,101	1,389,478	671,473
Undistributed ordinary income . . . . .	2,335,579	—	67,374*
Realized long-term capital gains . . . . .	8,360,455	14,773,027	—
Distributed long-term capital gains . . . . .	5,273,969	4,898,757	—
Undistributed long-term capital gains . . . . .	4,425,377	11,023,106	—
Capital loss carryover . . . . .	—	—	—
Post-October losses deferred . . . . .	—	—	665

\*This entire amount was distributed prior to September 30, 2005.

Internal Revenue Code regulations permit each Fund to defer into its next fiscal year net capital losses or net long-term capital losses and currency losses incurred between each November 1 and the end of its fiscal year (post-October losses).

Capital Loss Carryovers are available to offset future realized capital gain net income for Federal income tax purposes. The following shows the totals by year in which the capital loss carryovers will expire if not utilized.

	Ivy Balanced Fund	Ivy Bond Fund	Ivy European Opportunities Fund
March 31, 2009 . . . . .	\$ —	\$ 140,416	\$18,150,159
March 31, 2010 . . . . .	6,713,370	—	29,411,986
March 31, 2011 . . . . .	—	—	12,058,021
Total carryover . . . . .	<u>\$6,713,370</u>	<u>\$ 140,416</u>	<u>\$59,620,166</u>

	Ivy Global Natural Resources Fund	Ivy International Fund	Ivy International Value Fund
March 31, 2006 .....	\$ 143,237	\$ —	\$ —
March 31, 2007 .....	143,237	—	—
March 31, 2009 .....	—	122,715,107	1,028,432
March 31, 2010 .....	167,845	126,565,198	8,128,361
March 31, 2011 .....	—	47,213,802	2,150,884
Total carryover .....	<u>\$454,319</u>	<u>\$296,494,107</u>	<u>\$11,307,677</u>

	Ivy Pacific Opportunities Fund	Ivy Value Fund
March 31, 2006 .....	\$ 157,220	\$ —
March 31, 2007 .....	157,220	—
March 31, 2008 .....	584,487	—
March 31, 2009 .....	2,024,330	—
March 31, 2010 .....	277,530	—
March 31, 2011 .....	—	4,156,539
Total carryover .....	<u>\$3,200,787</u>	<u>\$4,156,539</u>

Ivy Developing Markets Fund was merged into Ivy Pacific Opportunities Fund as of June 16, 2003. At the time of the merger, Ivy Developing Markets Fund had capital loss carryovers available to offset future gains of the Ivy Pacific Opportunities Fund. These carryovers are limited to \$157,220 for each period ending from March 31, 2006 through 2010 plus any unused limitations from prior years.

## Note 5 – Multiclass Operations

Each Fund within the Trust (other than Ivy Cash Reserves Fund) offers four classes of shares, Class A, Class B, Class C and Class Y, each of which have equal rights as to assets and voting privileges. Ivy Cundill Global Value Fund, Ivy European Opportunities Fund, Ivy Global Natural Resources Fund, Ivy International Fund, Ivy International Value Fund and Ivy Pacific Opportunities Fund also offered Advisor Class shares and Ivy Cundill Global Value Fund, Ivy European Opportunities Fund and Ivy International Fund also offered Class I shares. Advisor Class and Class I shares are no longer available for investment. Ivy Cash Reserves Fund Class A is closed to new investors. Ivy Cash Reserves Fund Class B and Class C are both closed to direct investment. A comprehensive discussion of the terms under which shares of each class are offered is contained in the Prospectuses and the Statement of Additional Information for the Trust.

Income, non-class specific expenses, and realized and unrealized gains and losses are allocated daily to each class of shares based on the value of their relative net assets as of the beginning of each day adjusted for the prior day's capital share activity.

Transactions in capital stock for the six months ended September 30, 2005 are summarized below. Amounts are in thousands.

	Ivy Balanced Fund	Ivy Bond Fund	Ivy Cash Reserves Fund
Shares issued from sale of shares:			
Class A .....	381	614	443
Class B .....	38	46	169
Class C .....	34	71	14
Class Y .....	88	2	NA
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	15	37	40
Class B .....	—	1	12
Class C .....	—	1	1
Class Y .....	14	—*	NA
Shares redeemed:			
Class A .....	(391)	(203)	(1,087)
Class B .....	(20)	(13)	(276)
Class C .....	(6)	(19)	(31)
Class Y .....	(589)	(3)	NA
Increase (decrease) in outstanding capital shares ..	(436)	534	(715)
Value issued from sale of shares:			
Class A .....	\$ 5,441	\$6,508	\$ 443
Class B .....	532	485	169
Class C .....	479	749	14
Class Y .....	1,260	19	NA
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	213	394	40
Class B .....	—	13	12
Class C .....	—	11	1
Class Y .....	196	1	NA
Value redeemed:			
Class A .....	(5,565)	(2,163)	(1,087)
Class B .....	(286)	(133)	(276)
Class C .....	(89)	(196)	(31)
Class Y .....	(8,393)	(28)	NA
Increase (decrease) in outstanding capital .....	\$(6,212)	\$5,660	\$ (715)

\*Not shown due to rounding.

	Ivy Cundill Global Value Fund	Ivy Dividend Income Fund	Ivy European Opportunities Fund
Shares issued from sale of shares:			
Class A . . . . .	10,097	1,057	1,990
Class B . . . . .	760	91	160
Class C . . . . .	3,552	167	239
Class Y . . . . .	263	6	44
Advisor Class . . . . .	—	NA	—
Class I . . . . .	—	NA	NA
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	—	10	—
Class B . . . . .	—	—	—
Class C . . . . .	—	—	—
Class Y . . . . .	—	—*	—
Advisor Class . . . . .	—	NA	—
Class I . . . . .	—	NA	NA
Shares redeemed:			
Class A . . . . .	(2,155)	(266)	(1,072)
Class B . . . . .	(210)	(44)	(234)
Class C . . . . .	(502)	(93)	(231)
Class Y . . . . .	(89)	(6)	(39)
Advisor Class . . . . .	(11)	NA	(32)
Class I . . . . .	(4)	NA	NA
Increase in outstanding capital shares . . . . .	11,701	922	825

\*Not shown due to rounding.

	Ivy Cundill Global Value Fund	Ivy Dividend Income Fund	Ivy European Opportunities Fund
<b>(Continued)</b>			
Value issued from sale of shares:			
Class A .....	\$141,198	\$13,413	\$55,714
Class B .....	10,377	1,143	4,326
Class C .....	48,484	2,109	6,490
Class Y .....	3,710	74	1,237
Advisor Class .....	—	NA	—
Class I .....	—	NA	NA
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	—	121	—
Class B .....	—	—	—
Class C .....	—	—	—
Class Y .....	—	4	—
Advisor Class .....	—	NA	—
Class I .....	—	NA	NA
Value redeemed:			
Class A .....	(30,074)	(3,311)	(29,902)
Class B .....	(2,857)	(539)	(6,261)
Class C .....	(6,842)	(1,157)	(6,176)
Class Y .....	(1,258)	(78)	(1,077)
Advisor Class .....	(155)	NA	(895)
Class I .....	(50)	NA	NA
Increase in outstanding capital .....	<u>\$162,533</u>	<u>\$11,779</u>	<u>\$23,456</u>

	Ivy Global Natural Resources Fund	Ivy International Fund	Ivy International Balanced Fund
Shares issued from sale of shares:			
Class A . . . . .	17,191	527	2,605
Class B . . . . .	1,672	16	131
Class C . . . . .	6,682	6	289
Class Y . . . . .	1,307	—*	27
Advisor Class . . . . .	—	—	NA
Class I . . . . .	NA	—	NA
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	—	—	34
Class B . . . . .	—	—	—*
Class C . . . . .	—	—	1
Class Y . . . . .	—	—	—*
Advisor Class . . . . .	—	—	NA
Class I . . . . .	NA	—	NA
Shares redeemed:			
Class A . . . . .	(4,437)	(893)	(1,688)
Class B . . . . .	(448)	(428)	(28)
Class C . . . . .	(1,038)	(53)	(40)
Class Y . . . . .	(151)	(1)	(19)
Advisor Class . . . . .	(7)	(—)	NA
Class I . . . . .	NA	(4)	NA
Increase (decrease) in outstanding capital shares . . . . .	20,771	(830)	1,312

\*Not shown due to rounding.

	Ivy Global Natural Resources Fund	Ivy International Fund	Ivy International Balanced Fund
<b>(Continued)</b>			
Value issued from sale of shares:			
Class A . . . . .	\$399,679	\$ 12,165	\$38,210
Class B . . . . .	37,205	350	1,913
Class C . . . . .	146,169	140	4,205
Class Y . . . . .	30,257	5	397
Advisor Class . . . . .	—	—	NA
Class I . . . . .	NA	—	NA
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	—	—	502
Class B . . . . .	—	—	4
Class C . . . . .	—	—	14
Class Y . . . . .	—	—	3
Advisor Class . . . . .	—	—	NA
Class I . . . . .	NA	—	NA
Value redeemed:			
Class A . . . . .	(101,991)	(21,094)	(24,835)
Class B . . . . .	(9,687)	(9,167)	(405)
Class C . . . . .	(22,726)	(1,169)	(579)
Class Y . . . . .	(3,574)	(20)	(269)
Advisor Class . . . . .	(163)	(—)	NA
Class I . . . . .	NA	(92)	NA
Increase (decrease) in outstanding capital . . .	<u>\$475,169</u>	<u>\$(18,882)</u>	<u>\$19,160</u>

	Ivy International Value Fund	Ivy Mortgage Securities Fund	Ivy Pacific Opportunities Fund
Shares issued from sale of shares:			
Class A . . . . .	1,128	6,124	2,845
Class B . . . . .	123	300	138
Class C . . . . .	70	683	246
Class Y . . . . .	20	209	77
Advisor Class . . . . .	—	NA	—
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	—	368	—
Class B . . . . .	—	12	—
Class C . . . . .	—	22	—
Class Y . . . . .	—	12	—
Advisor Class . . . . .	—	NA	—
Shares redeemed:			
Class A . . . . .	(202)	(3,054)	(515)
Class B . . . . .	(666)	(37)	(97)
Class C . . . . .	(79)	(181)	(76)
Class Y . . . . .	(5)	(71)	(30)
Advisor Class . . . . .	(2)	NA	(1)
Increase in outstanding capital shares . . . . .	387	4,387	2,587
Value issued from sale of shares:			
Class A . . . . .	\$13,588	\$65,847	\$31,970
Class B . . . . .	1,390	3,220	1,453
Class C . . . . .	813	7,348	2,627
Class Y . . . . .	244	2,248	873
Advisor Class . . . . .	—	NA	—
Value issued from reinvestment of dividends and/ or capital gains distribution:			
Class A . . . . .	—	3,959	—
Class B . . . . .	—	126	—
Class C . . . . .	—	239	—
Class Y . . . . .	—	131	—
Advisor Class . . . . .	—	NA	—
Value redeemed:			
Class A . . . . .	(2,445)	(32,797)	(5,687)
Class B . . . . .	(7,473)	(402)	(995)
Class C . . . . .	(894)	(1,944)	(810)
Class Y . . . . .	(67)	(769)	(338)
Advisor Class . . . . .	(27)	NA	(8)
Increase in outstanding capital . . . . .	\$ 5,129	\$47,206	\$29,085



	Ivy Real Estate Securities Fund	Ivy Small Cap Value Fund	Ivy Value Fund
Shares issued from sale of shares:			
Class A .....	2,653	897	926
Class B .....	152	84	88
Class C .....	174	94	61
Class Y .....	1,485	139	48
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	37	—	10
Class B .....	—	—	—
Class C .....	—*	—	—
Class Y .....	49	—	5
Shares redeemed:			
Class A .....	(1,542)	(457)	(330)
Class B .....	(86)	(30)	(18)
Class C .....	(74)	(54)	(21)
Class Y .....	(648)	(247)	(237)
Increase in outstanding capital shares .....	2,200	426	532
Value issued from sale of shares:			
Class A .....	\$53,332	\$15,475	\$15,014
Class B .....	3,023	1,407	1,409
Class C .....	3,487	1,597	975
Class Y .....	30,327	2,437	781
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	772	—	157
Class B .....	—	—	—
Class C .....	5	—	—
Class Y .....	1,016	—	91
Value redeemed:			
Class A .....	(29,450)	(7,937)	(5,357)
Class B .....	(1,677)	(508)	(287)
Class C .....	(1,454)	(912)	(339)
Class Y .....	(12,706)	(4,296)	(3,859)
Increase in outstanding capital .....	\$46,675	\$ 7,263	\$ 8,585

\*Not shown due to rounding.

Transactions in capital stock for the fiscal year ended March 31, 2005 are summarized below. Amounts are in thousands.

	Ivy Balanced Fund	Ivy Bond Fund	Ivy Cash Reserves Fund
Shares issued from sale of shares:			
Class A . . . . .	705	3,057	1,367
Class B . . . . .	104	75	144
Class C . . . . .	52	56	43
Class Y . . . . .	292	1	NA
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	36	62	37
Class B . . . . .	—*	1	12
Class C . . . . .	—*	1	1
Class Y . . . . .	42	—*	NA
Shares redeemed:			
Class A . . . . .	(747)	(554)	(2,727)
Class B . . . . .	(22)	(32)	(1,844)
Class C . . . . .	(11)	(15)	(120)
Class Y . . . . .	(1,134)	(—)*	NA
Increase (decrease) in outstanding capital shares . . . . .	(683)	2,652	(3,087)
Value issued from sale of shares:			
Class A . . . . .	\$ 9,634	\$32,423	\$ 1,367
Class B . . . . .	1,406	801	144
Class C . . . . .	710	592	43
Class Y . . . . .	3,944	9	NA
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	497	654	37
Class B . . . . .	—*	12	12
Class C . . . . .	1	7	1
Class Y . . . . .	585	1	NA
Value redeemed:			
Class A . . . . .	(10,162)	(5,869)	(2,727)
Class B . . . . .	(301)	(344)	(1,844)
Class C . . . . .	(147)	(160)	(120)
Class Y . . . . .	(15,402)	(—)*	NA
Increase (decrease) in outstanding capital . . . . .	\$ (9,235)	\$28,126	\$ (3,087)

\*Not shown due to rounding.

	Ivy Cundill Global Value Fund	Ivy Dividend Income Fund	Ivy European Opportunities Fund
Shares issued from sale of shares:			
Class A . . . . .	20,804	1,574	4,750
Class B . . . . .	2,064	311	479
Class C . . . . .	5,578	452	777
Class Y . . . . .	733	36	132
Advisor Class . . . . .	—	NA	—
Class I . . . . .	—	NA	—
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	84	22	2
Class B . . . . .	—	1	—
Class C . . . . .	—	3	—
Class Y . . . . .	6	1	—*
Advisor Class . . . . .	2	NA	—*
Class I . . . . .	—*	NA	—
Shares redeemed:			
Class A . . . . .	(2,298)	(452)	(2,328)
Class B . . . . .	(254)	(82)	(456)
Class C . . . . .	(367)	(140)	(395)
Class Y . . . . .	(190)	(6)	(159)
Advisor Class . . . . .	(26)	NA	(44)
Class I . . . . .	(—)*	NA	(1)
Increase in outstanding capital shares . . . . .	26,136	1,720	2,757

\*Not shown due to rounding.

	Ivy Cundill Global Value Fund	Ivy Dividend Income Fund	Ivy European Opportunities Fund
<b>(Continued)</b>			
Value issued from sale of shares:			
Class A .....	\$269,480	\$18,135	\$118,574
Class B .....	26,210	3,554	11,437
Class C .....	70,739	5,153	19,090
Class Y .....	9,350	413	3,295
Advisor Class .....	—	NA	—
Class I .....	—	NA	—
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	1,105	266	60
Class B .....	—	15	—
Class C .....	—	29	—
Class Y .....	73	12	5
Advisor Class .....	26	NA	9
Class I .....	1	NA	—
Value redeemed:			
Class A .....	(30,012)	(5,148)	(52,016)
Class B .....	(3,273)	(925)	(10,700)
Class C .....	(4,678)	(1,611)	(9,153)
Class Y .....	(2,455)	(72)	(3,757)
Advisor Class .....	(331)	NA	(1,063)
Class I .....	(—)*	NA	(19)
Increase in outstanding capital .....	<u>\$336,235</u>	<u>\$19,821</u>	<u>\$ 75,762</u>

\*Not shown due to rounding.

	Ivy Global Natural Resources Fund	Ivy International Fund	Ivy International Balanced Fund
Shares issued from sale of shares:			
Class A . . . . .	33,383	1,339	2,674
Class B . . . . .	3,977	42	202
Class C . . . . .	11,806	18	269
Class Y . . . . .	887	4	18
Advisor Class . . . . .	—	—	NA
Class I . . . . .	NA	—	NA
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	4	—	67
Class B . . . . .	—	—	1
Class C . . . . .	—	—	2
Class Y . . . . .	2	—	1
Advisor Class . . . . .	—*	—	NA
Class I . . . . .	NA	—	NA
Shares redeemed:			
Class A . . . . .	(4,761)	(1,840)	(657)
Class B . . . . .	(683)	(1,669)	(13)
Class C . . . . .	(998)	(146)	(22)
Class Y . . . . .	(145)	(1)	(6)
Advisor Class . . . . .	(8)	(—)	NA
Class I . . . . .	NA	(16)	NA
Increase (decrease) in outstanding capital shares . . . . .	43,464	(2,269)	2,536

\*Not shown due to rounding.

	Ivy Global Natural Resources Fund	Ivy International Fund	Ivy International Balanced Fund
<b>(Continued)</b>			
Value issued from sale of shares:			
Class A . . . . .	\$680,402	\$ 28,952	\$37,440
Class B . . . . .	77,922	842	2,773
Class C . . . . .	230,194	369	3,761
Class Y . . . . .	18,430	100	250
Advisor Class . . . . .	—	—	NA
Class I . . . . .	NA	—	NA
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	88	—	927
Class B . . . . .	—	—	19
Class C . . . . .	—	—	19
Class Y . . . . .	36	—	6
Advisor Class . . . . .	—*	—	NA
Class I . . . . .	NA	—	NA
Value redeemed:			
Class A . . . . .	(93,035)	(39,902)	(9,401)
Class B . . . . .	(13,133)	(33,648)	(179)
Class C . . . . .	(18,671)	(2,939)	(305)
Class Y . . . . .	(3,069)	(22)	(73)
Advisor Class . . . . .	(167)	(—)	NA
Class I . . . . .	NA	(345)	NA
Increase (decrease) in outstanding capital . . . .	<u>\$878,997</u>	<u>\$(46,593)</u>	<u>\$35,237</u>

\*Not shown due to rounding.

	Ivy International Value Fund	Ivy Mortgage Securities Fund	Ivy Pacific Opportunities Fund
Shares issued from sale of shares:			
Class A .....	838	8,854	3,999
Class B .....	146	620	475
Class C .....	75	1,151	558
Class Y .....	14	343	80
Advisor Class .....	—	NA	—
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A .....	—	543	—
Class B .....	—	12	—
Class C .....	—	18	—
Class Y .....	—	15	—
Advisor Class .....	—	NA	—
Shares redeemed:			
Class A .....	(322)	(4,069)	(1,038)
Class B .....	(897)	(95)	(443)
Class C .....	(210)	(162)	(135)
Class Y .....	(3)	(103)	(51)
Advisor Class .....	(1)	NA	(—)*
Increase (decrease) in outstanding capital shares .....	(360)	7,127	3,445
Value issued from sale of shares:			
Class A .....	\$ 9,042	\$95,510	\$39,380
Class B .....	1,471	6,689	4,135
Class C .....	757	12,425	5,254
Class Y .....	151	3,707	807
Advisor Class .....	—	NA	—
Value issued from reinvestment of dividends and/ or capital gains distribution:			
Class A .....	—	5,841	—
Class B .....	—	125	—
Class C .....	—	193	—
Class Y .....	—	166	—
Advisor Class .....	—	NA	—
Value redeemed:			
Class A .....	(3,386)	(43,810)	(9,843)
Class B .....	(8,744)	(1,018)	(3,806)
Class C .....	(2,025)	(1,742)	(1,213)
Class Y .....	(34)	(1,109)	(483)
Advisor Class .....	(13)	NA	(1)
Increase (decrease) in outstanding capital .....	\$(2,781)	\$76,977	\$34,230

\*Not shown due to rounding.

	Ivy Real Estate Securities Fund	Ivy Small Cap Value Fund	Ivy Value Fund
Shares issued from sale of shares:			
Class A . . . . .	6,630	3,066	1,569
Class B . . . . .	473	273	144
Class C . . . . .	500	367	146
Class Y . . . . .	3,278	453	176
Shares issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	270	221	16
Class B . . . . .	16	15	—
Class C . . . . .	19	24	—
Class Y . . . . .	368	102	13
Shares redeemed:			
Class A . . . . .	(959)	(3,279)	(2,650)
Class B . . . . .	(42)	(26)	(22)
Class C . . . . .	(81)	(28)	(20)
Class Y . . . . .	(837)	(613)	(459)
Increase (decrease) in outstanding capital shares . . . . .	9,635	575	(1,087)
Value issued from sale of shares:			
Class A . . . . .	\$116,982	\$50,982	\$ 23,975
Class B . . . . .	8,297	4,499	2,179
Class C . . . . .	8,735	6,037	2,186
Class Y . . . . .	57,602	7,597	2,650
Value issued from reinvestment of dividends and/or capital gains distribution:			
Class A . . . . .	5,050	3,786	258
Class B . . . . .	294	256	—
Class C . . . . .	349	406	—
Class Y . . . . .	6,844	1,741	210
Value redeemed:			
Class A . . . . .	(16,753)	(53,635)	(41,999)
Class B . . . . .	(740)	(433)	(337)
Class C . . . . .	(1,417)	(471)	(304)
Class Y . . . . .	(13,675)	(10,083)	(7,131)
Increase (decrease) in outstanding capital . . . .	\$171,568	\$10,682	\$(18,313)

## NOTE 6 – Options

Options purchased by a Fund are accounted for in the same manner as marketable portfolio securities. The cost of portfolio securities acquired through the exercise of call options is increased by the premium paid to purchase the call. The proceeds from securities sold through the exercise of put options are decreased by the premium paid to purchase the put.

When the Fund writes (sells) an option, an amount equal to the premium received by the Fund is recorded as a liability. The amount of the liability is subsequently adjusted to reflect the current market value of the option written. The current market value of an option is the last sales price on the principal exchange on which the option is traded or, in the absence of transactions, the mean



between the bid and asked prices or at a value supplied by a broker-dealer. When an option expires on its stipulated expiration date or the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of a closing purchase transaction exceeds the premium received when the call option was sold) and the liability related to such option is extinguished. When a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Fund has realized a gain or loss. For each Fund, when a written put is exercised, the cost basis of the securities purchased by the Fund is reduced by the amount of the premium received.

For Ivy Value Fund, transactions in call options written were as follows:

	<b>Number of Contracts</b>	<b>Premiums Received</b>
Outstanding at March 31, 2005 .....	333	\$ 28,207
Options written .....	2,123	129,982
Options terminated in closing purchase transactions .....	(96)	(4,308)
Options exercised .....	(323)	(33,436)
Options expired .....	(1,096)	(80,204)
Outstanding at September 30, 2005 .....	941	\$ 40,241

For Ivy Value Fund, transactions in put options written were as follows:

	<b>Number of Contracts</b>	<b>Premiums Received</b>
Outstanding at March 31, 2005 .....	62	\$ 7,564
Options written .....	1,714	73,467
Options terminated in closing purchase transactions .....	(21)	(819)
Options exercised .....	(62)	(7,564)
Options expired .....	(1,029)	(46,116)
Outstanding at September 30, 2005 .....	664	\$26,532

## **NOTE 7 – In-Kind Redemptions**

For an in-kind redemption a Fund may, under certain circumstances, distribute portfolio securities rather than cash for a redemption of Fund shares. The Fund recognizes a gain on in-kind redemptions to the extent that the value of the distributed securities on the date of the redemption exceeds the cost of those securities. Gains and losses realized from in-kind redemptions are not recognized for tax purposes but rather are reclassified from accumulated undistributed net realized loss to paid-in capital. During the fiscal year ended March 31, 2005, Ivy Value Fund realized \$5,849,426 of net capital gains resulting from in-kind redemptions of \$36,195,595.

## **NOTE 8 – Futures**

The Trust may engage in buying and selling futures contracts. Upon entering into a futures contract, the Trust is required to deposit, in a segregated account, an amount of cash or United States Treasury Bills equal to a varying specified percentage of the contract amount. This amount is known as the initial margin. Subsequent payments (variation margins) are made or received by the Trust each day, dependent on the daily fluctuations in the value of the underlying debt security or index. These changes in the variation margins are recorded by the Trust as unrealized gains or losses. Upon the closing of the contracts, the cumulative net change in the variation margin is recorded as realized gain or loss. The Trust uses futures to attempt to reduce the overall risk of its investments.

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# Report of Independent Registered Public Accounting Firm

## The Board of Trustees and Shareholders of Ivy Funds:

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of Balanced Fund, Bond Fund, Cash Reserves Fund, Cundill Global Value Fund, Dividend Income Fund, European Opportunities Fund, Global Natural Resources Fund, International Fund, International Balanced Fund, International Value Fund, Mortgage Securities Fund, Pacific Opportunities Fund, Real Estate Securities Fund, Small Cap Value Fund and Value Fund (collectively the “Funds”) comprising Ivy Funds as of September 30, 2005, and the related statements of operations for the six-month period then ended, the statements of changes in net assets for the six-month period then ended and the fiscal year ended March 31, 2005, and the financial highlights for the periods presented (except as noted below). These financial statements and financial highlights are the responsibility of the Funds’ management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights of the Real Estate Securities Fund, Small Cap Value Fund and Value Fund for each of the periods ended July 31, 2003 and prior were audited by other auditors whose report, dated September 5, 2003, expressed an unqualified opinion on those financial highlights. The financial highlights of the Balanced Fund, Bond Fund, International Balanced Fund and Mortgage Securities Fund for each of the periods presented in the four-year period ended September 30, 2003 were audited by other auditors whose report, dated November 7, 2003, expressed an unqualified opinion on those financial highlights. The financial highlights of the Cash Reserves Fund, Cundill Global Value Fund, European Opportunities Fund, Global Natural Resources Fund, International Fund, International Value Fund and Pacific Opportunities Fund for each of the periods presented in the two-year period ended December 31, 2001 were audited by other auditors whose report, dated February 8, 2002, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Funds are not required to have, nor were we engaged to perform, an audit of their internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds’ internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of September 30, 2005, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of each of the respective Funds of Ivy Funds, as of September 30, 2005, the results of their operations for the six-month period then ended, the changes in their net assets for the six-month period then ended and the fiscal year ended March 31, 2005, and their financial highlights for the periods presented (except as noted above in references to the reports of other auditors), in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP  
Kansas City, Missouri  
November 16, 2005

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## Renewal of Investment Management Agreements for the Ivy Funds

At a Meeting of the Board of Trustees of Ivy Funds held on August 30 and 31, 2005, the Trustees, including all of the Trustees who are not “interested persons” as defined in Section 2(a)(19) of the 1940 Act, approved the continuance of the existing management agreements between Ivy Investment Management Company (IICO) and the Funds. The existing management agreements considered were: (i) the Master Business Management and Investment Advisory Agreement between the Trust and IICO (with respect to the Ivy Cash Reserves Fund, Ivy Cundill Global Value Fund, Ivy European Opportunities Fund, Ivy International Fund, Ivy International Value Fund and Ivy Pacific Opportunities Fund); (ii) the Investment Management Agreement between the Trust and IICO (with respect to the Ivy Dividend Fund); (iii) the Investment Management Agreement between the Trust and IICO (with respect to the Ivy Balanced Fund, Ivy Bond Fund, Ivy International Balanced Fund, Ivy Mortgage Securities Fund, Ivy Real Estate Securities Fund, Ivy Small Cap Value Fund, Ivy Value Fund and Ivy Global Natural Resources Fund); and (iv) the Subadvisory Agreements between IICO and:

Henderson Investment Management Limited and Henderson Global Investors  
(North America) Inc. (Ivy European Opportunities Fund)

Cundill Investment Research Ltd. (Ivy Cundill Global Value Fund)

Advantus Capital Management, Inc. (Ivy Bond Fund, Ivy Mortgage Securities Fund,  
Ivy Real Estate Securities Fund)

Templeton Investment Counsel, LLC (Ivy International Balanced Fund)

BlackRock Financial Management, Inc. (Ivy Small Cap Value Fund)

Mackenzie Financial Corporation (Ivy Global Natural Resources Fund)

(each such subadviser referred to herein as a “Subadviser”).

The Board’s Independent Trustees were assisted in their review by independent legal counsel and met with such counsel separately from representatives of IICO. Independent legal counsel provided the Board with a memorandum that discussed the various factors that the Board should consider as part of its review of the various agreements, including, among other things, the nature and the quality of the services provided by IICO, profitability (including any fall-out benefits) from its relationship with the Funds, economies of scale, the role played by the Independent Trustees, and information on comparative fees and expenses. The Board also reviewed the nature and quality of the services provided by the subadvisors and considered the written responses and supplementary materials produced by IICO and each such Subadviser in response to a 15(c) due diligence request list submitted by the Independent Trustees’ counsel prior to the meeting. Included in those responses, which had been provided to the Board prior to the meeting, was a fund-by-fund profitability analysis prepared by IICO. The Board also received extensive materials on performance, expenses and comparable fund information from Lipper, Inc., an independent mutual fund rating service. Finally, the Independent Trustees received a report from two of the Independent Trustees who had been appointed to serve on an ad hoc contract review committee to conduct a preliminary review of all of this information prior to the meeting. The Independent Trustees discussed all of this material extensively among themselves and with their independent legal counsel, and then discussed these materials and related information with the full Board prior to the Board’s final consideration of these issues. Based upon the examination by the Independent Trustees, the Board made the following considerations and conclusions.

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## Considerations with respect to each Fund

### Ivy International Fund

The Board examined the investment performance of the Ivy International Fund, noting that the Fund had been in the 5th quintile for performance for every reporting period indicated in the Lipper materials. The Board also examined the performance of the Fund against its peers, as indicated in the Lipper materials for the one, three, five and seven year time period, as well as against the Lipper International Large-Cap Core Index. The Board considered additional 15(c) response materials that IICO had provided, in which management asserted that the performance of the Fund recently had improved. In that regard, the Board considered the recent steps IICO has taken to enhance the Fund's performance, as well as provide additional reports to the Board in that regard. The Board further discussed management's proposal to merge the Ivy International Growth Fund, a series of Ivy Funds, Inc., into the Fund, and the possible benefits to each Fund's shareholders that such a merger might create. After extensively reviewing all of the performance information, including the fact that the Ivy International Growth Fund was proposed to be merged into the Fund, the Board concluded that the Fund's performance in this asset class appear to be improving, but should continue to be closely monitored by the Board.

The Board considered the expenses of the Fund and the cost of the services provided by IICO. The Board compared the Fund's expenses, including IICO's advisory fees, with the expenses and advisory fees of other investment advisers managing similarly situated funds. The Board then discussed the profitability to IICO in managing the Fund and how that profitability analysis was created. After considering all of this information, the Board concluded that the Fund's expenses appear to be appropriate at the current time, but that the Board should monitor those expenses closely.

The Board considered the nature, extent and quality of services provided to the Fund by IICO, taking into account the investment objective and strategy of the Fund and the knowledge the Board gained from their regular meetings with the IICO and personnel responsible for the management of the Fund, as well as the materials provided in connection with those meetings. In addition, the Board reviewed IICO's resources and key personnel, especially those who provide investment management services to the Fund. The Board also considered other services provided to the Fund by IICO, such as managing the quality of execution of portfolio transactions and the selection of broker-dealers for those transactions, monitoring adherence to the Fund's investment restrictions, producing reports, providing support services for the Board and Board committees, communicating with shareholders and overseeing the activities of other service providers, including monitoring compliance with various Fund policies and procedures and with applicable securities laws and regulations. The Board concluded that the nature and extent of the services provided by IICO are appropriate, that the quality of those services is consistent with quality norms in the industry and that the Fund is likely to benefit from the continued provision of those services.

The Board discussed whether IICO derives any other direct or indirect benefits from serving as investment adviser to the Fund. The Board considered benefits that accrue to IICO from its relationship with the Fund, including the fact that a variety of services are provided by affiliates of IICO, including distribution, shareholder servicing and transfer agency services. After full consideration of these and other factors, the Board concluded that neither IICO nor its affiliate received any additional direct benefits that would warrant re-consideration and/or preclude the Board from approving the continuation of the investment advisory contract with IICO.

The Board received and discussed information concerning whether economies of scale are being realized by the Fund and whether fee levels reflect those economies of scale for the benefit of the Fund's shareholders. The Board considered the current and anticipated asset levels of the Fund,

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the potential for growth in the Fund's assets, the breakpoint schedule in place, and how the proposed merger would affect each. The Board concluded that the current asset size of the Fund did not warrant reevaluating the fee schedule for the Fund at this time.

### **Ivy International Value Fund**

The Board examined the investment performance of the Ivy International Value Fund, noting that the Fund had been in the 1st or 2nd performance quintile for the one, three, five and seven year periods, as reported in the Lipper materials. The Board also examined the performance of the Fund against its peers included in the Lipper materials for the one, three, five and seven year time period, as well against the Lipper International Large-Cap Core Index. The Board discussed the additional resources that IICO has devoted to the Fund and concluded that the Fund's performance in this asset class is acceptable.

The Board considered the expenses of the Fund and the cost of the services provided by IICO. The Board compared the Fund's expenses, including IICO's advisory fees with the expenses and advisory fees of other investment advisers managing similarly situated funds. They also considered the Fund's expenses in light of the proposed merger of the International and International Growth Funds. The Board discussed the profitability to IICO in managing the Fund and the derivation of that profitability analysis. After considering all of this information, the Board concluded that the Fund's expenses appear to be reasonable, particularly in light of IICO's profitability in managing the Fund.

The Board considered the nature, extent and quality of services provided to the Fund by IICO, taking into account the investment objective and strategy of the Fund and the knowledge the Board gained from their regular meetings with the IICO and personnel responsible for the management of the Fund, as well as the materials provided in connection with those meetings. In addition, the Board reviewed IICO's resources and key personnel, especially those who provide investment management services to the Fund. The Board also considered other services provided to the Fund by IICO, such as managing the quality of execution of portfolio transactions and the selection of broker-dealers for those transactions, monitoring adherence to the Fund's investment restrictions, producing reports, providing support services for the Board and Board committees, communicating with shareholders and overseeing the activities of other service providers, including monitoring compliance with various Fund policies and procedures and with applicable securities laws and regulations. The Board concluded that the nature and extent of the services provided by IICO are appropriate, that the quality of those services is consistent with quality norms in the industry and that the Fund is likely to benefit from the continued provision of those services.

The Board discussed whether IICO derives any other direct or indirect benefits from serving as investment adviser to the Fund. The Board considered benefits that accrue to IICO from its relationship with the Fund, including the fact that a variety of services are provided by affiliates of IICO, including distribution, shareholder servicing and transfer agency services. After full consideration of these and other factors, the Board concluded that neither IICO nor its affiliate received any additional direct benefits that would warrant re-consideration and/or preclude the Board from approving the continuation of the investment advisory contract with IICO.

The Board received and discussed information concerning whether economies of scale are being realized by the Fund and whether fee levels reflect those economies of scale for the benefit of the Fund's shareholders. The Board considered the current and anticipated asset levels of the Fund and the potential for growth in the Fund's assets. The Board concluded that the current asset size of the Fund did not warrant reevaluating the fee schedule for the Fund at this time.

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## Ivy Small Cap Value Fund

The Board examined the investment performance of the Ivy Small Cap Value Fund, noting that shareholders of the Fund had just recently authorized the appointment of BlackRock Financial Management, Inc. (BlackRock) as the Fund's sub-adviser. The Board also noted that the Fund had been in the 5th performance quintile for the one year period and the 4th quintile for the three year period, as reported in the Lipper materials. The Board also examined the performance of the Fund against its peers included in the Lipper materials for the one and three year time period, as well against the Lipper Small Cap Value Index. The Board discussed the long-term track record of the portfolio manager of the Fund, noting that the transition to BlackRock had occurred just seven months ago. Under those circumstances and given the Fund's performance history, the Board concluded that the Fund's performance in this asset class is acceptable.

The Board considered the expenses of the Fund and the cost of the services provided by IICO and BlackRock. The Board compared the Fund's expenses with the expenses and advisory fees of other similarly situated funds. The Board discussed the profitability to IICO in managing the Fund and the fact that IICO was exclusively responsible for paying BlackRock's fees. After considering all of this information, the Board concluded that the Fund's expenses appear to be reasonable.

The Board considered the nature, extent and quality of services provided to the Fund by IICO and BlackRock, taking into account the investment objective and strategy of the Fund and the knowledge the Board gained from their regular meetings with the BlackRock personnel directly responsible for the management of the Fund, as well as the materials provided in connection with those meetings. In addition, the Board reviewed the resources and key personnel of each organization, especially those who provide investment management services to the Fund. The Board considered other services provided to the Fund by IICO and BlackRock, such as managing the quality of execution of portfolio transactions and the selection of broker-dealers for those transactions, monitoring adherence to the Fund's investment restrictions, producing reports, providing support services for the Board and Board committees, communicating with shareholders and overseeing the activities of other service providers, including monitoring compliance with various Fund policies and procedures and with applicable securities laws and regulations. The Board concluded that the nature and extent of the services provided by each organization are appropriate, that the quality of those services is consistent with quality norms in the industry and that the Fund is likely to benefit from the continued provision of those services.

The Board discussed whether either organization derives any other direct or indirect benefits from serving the Fund. The Board considered benefits that accrue to each organization from its respective relationship with the Fund, including the fact that a variety of services are provided by affiliates of IICO, including distribution, shareholder servicing and transfer agency services. After full consideration of these and other factors, the Board concluded that none of IICO, BlackRock or any of their affiliates receive any additional direct benefits that would warrant re-consideration and/or preclude the Board from approving the continuation of the investment advisory contract with IICO or the investment sub-advisory contract with BlackRock.

The Board then received and discussed information concerning whether economies of scale are being realized by the Fund and whether fee levels reflect those economies of scale for the benefit of the Fund's shareholders. The Board considered the current and anticipated asset levels of the Fund and the potential for growth in the Fund's assets, including the fact that BlackRock believes that it might be appropriate for the Fund to close to new investors once a certain level of assets was reached. The Board concluded that the current asset size of the Fund did not warrant reevaluating the fee schedule for the Fund at this time.

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## Ivy Global Natural Resources Fund

The Board examined the investment performance of the Ivy Global Natural Resources Fund, noting that performance for the one year period had been in the 5th performance quintile, whereas three year performance was in the 3rd and five and seven year performance was in the top quintile. The Board discussed the recent investment strategy of the Fund's investment sub-adviser, Mackenzie Financial Corporation (MFC), and how that strategy had affected the recent performance of the Fund. They also took into account the fact that the Fund is a multi-diversified global product. Nevertheless, the Board noted that the Fund had achieved outstanding long-term returns and had been attracting assets, causing the Fund's breakpoints to become effective. The Board also examined the performance of the Fund against its peers included in the Lipper materials for the same time periods, as well against the Lipper Natural Resources Fund Index. After considering all of this information, the Board concluded that the Fund's performance in this asset class is acceptable.

The Board considered the expenses of the Fund and the cost of the services provided by IICO and MFC. The Board specifically noted that the Fund was in the 5th quintile for expense information, and compared the Fund's expenses with the expenses and advisory fees of other similarly situated funds. The Board further discussed how MFC's style impacts expenses. The Board then discussed the profitability to IICO in managing the Fund and the fact that IICO was exclusively responsible for paying MFC's fees. After considering all of this information, the Board concluded that the Fund's expenses appear to be reasonable.

The Board considered the nature, extent and quality of services provided to the Fund by IICO and MFC, taking into account the investment objective and strategy of the Fund and the knowledge the Board gained from their regular meetings with MFC personnel directly responsible for the management of the Fund, as well as the materials provided in connection with those meetings. In addition, the Board reviewed the resources and key personnel of each organization, especially those who provide investment management services to the Fund. The Board also considered other services provided to the Fund by IICO and MFC, such as managing the quality of execution of portfolio transactions and the selection of broker-dealers for those transactions, monitoring adherence to the Fund's investment restrictions, producing reports, providing support services for the Board and Board committees, communicating with shareholders and overseeing the activities of other service providers, including monitoring compliance with various Fund policies and procedures and with applicable securities laws and regulations. The Board concluded that the nature and extent of the services provided by each organization is appropriate, that the quality of those services is consistent with quality norms in the industry and that the Fund is likely to benefit from the continued provision of those services.

The Board discussed whether either organization derives any other direct or indirect benefits from serving as investment adviser or investment sub-adviser to the Fund. The Board considered benefits that accrue to each from its respective relationship with the Fund, including the fact that a variety of services are provided by affiliates of IICO, including distribution, shareholder servicing and transfer agency services. After full consideration of these and other factors, the Board concluded that none of IICO, MFC or any of their affiliate received any additional direct benefits that would warrant re-consideration and/or preclude the Board from approving the continuation of the investment advisory contract with IICO or the investment sub-advisory contract with MFC.

The Board received and discussed information concerning whether economies of scale are being realized by the Fund and whether fee levels reflect those economies of scale for the benefit of the Fund's shareholders. The Board discussed the fact that the asset-level breakpoints had become effective. The Board considered the current and anticipated asset levels of the Fund and the potential for growth in the Fund's assets. The Board concluded that the current asset size of the Fund did not warrant reevaluating the fee schedule or breakpoints for the Fund at this time.

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**Ivy Balanced Fund, Ivy Cash Reserves Fund, Ivy Dividend Income Fund, Ivy Pacific Opportunities Fund, Ivy Value Fund**

The Board evaluated the performance of the advisory contracts with IICO for each of the remaining internally managed Funds based upon the information contained in the Lipper materials and the other materials. In that regard, the Board examined the investment performance of each Fund, including their short-term and long-term quintile rankings as reported in the Lipper materials. The Board also examined the performance of each Fund against their respective peers included in the Lipper materials, as well against the appropriate Lipper benchmark. The Board also considered the fact that the Board had met with the portfolio manager(s) of each such Fund during regularly scheduled meetings, during which they had had an opportunity to discuss all facets of each Fund, including performance. After further discussion, given each Fund's performance history, the Board concluded that each Fund's performance in their respective asset class is acceptable.

The Board considered the expenses of each Fund and the cost of the services provided by IICO. The Board compared each Fund's expenses with the expenses and advisory fees of other similarly situated funds as reported in the Lipper Reports. The Board then discussed the profitability to IICO in managing each Fund, as well as the derivation of that profitability analysis. After considering all of this information, the Board concluded that each Fund's expenses appear to be reasonable.

The Board next considered the nature, extent and quality of services provided to each Fund by IICO, taking into account the investment objective and strategy of each Fund and the knowledge the Board gained from their regular meetings with the personnel directly responsible for the management of the Fund, as well as the materials provided in connection with those meetings. In addition, the Board reviewed the resources and key personnel of IICO, especially those portfolio managers who provide investment management services to the Fund. The Board also considered other services provided to each Fund by IICO, such as managing the quality of execution of portfolio transactions and the selection of broker-dealers for those transactions, monitoring adherence to the Fund's investment restrictions, producing reports, providing support services for the Board and Board committees, communicating with shareholders and overseeing the activities of other service providers, including monitoring compliance with various Fund policies and procedures and with applicable securities laws and regulations. The Board concluded that the nature and extent of the services provided by IICO with respect to each Fund are appropriate, that the quality of those services is consistent with quality norms in the industry and that the Fund is likely to benefit from the continued provision of those services.

The Board next discussed whether IICO derives any other direct or indirect benefits from serving as investment adviser to each Fund. The Board considered benefits that accrue to IICO from its relationship with each respective Fund, including the fact that a variety of services are provided by affiliates of IICO, including distribution, shareholder servicing and transfer agency services. After full consideration of these and other factors, the Board concluded that neither IICO nor any of its affiliates receive any additional direct benefits that would warrant re-consideration and/or preclude the Board from approving the continuation of the investment advisory contract with IICO.

The Board finally received and discussed information concerning whether economies of scale are being realized by each Fund and whether fee levels reflect those economies of scale for the benefit of each Fund's respective shareholders. The Board considered the current and anticipated asset levels of each Fund and the potential for growth in each Fund's assets. The Board concluded that the current asset size of each Fund did not warrant reevaluating the fee schedule for any Fund at this time.



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Ivy Bond Fund, Ivy Cundill Global Value Fund, Ivy European Opportunities Fund, Ivy International Balanced Fund, Ivy Mortgage Securities Fund, Ivy Real Estate Securities Fund

The Board evaluated the performance of the advisory contracts with IICO and the investment subadvisory contracts for each Subadviser for sub-advised Funds based upon the information contained in the Lipper materials and the due diligence materials that the Board had received from each Subadviser.

The Board first examined the investment performance of each such Fund, including their short-term and long-term quintile ranking, as reported in the Lipper materials. The Board also examined the performance of each Fund against the respective peers included in the Lipper materials, as well against the appropriate Lipper benchmark. The Board considered that it had met with the portfolio manager(s) of each such Fund during regularly scheduled meetings, during which they had had an opportunity to discuss all facets of the Fund, including performance. Under those circumstances and given each Fund's performance history, the Board concluded that each Fund's performance in their respective asset class is acceptable.

The Board next considered the expenses of each Fund and the cost of the services provided by IICO and the Subadviser responsible for the day-to-day management of that Fund. The Board compared each Fund's expenses with the expenses and advisory fees of other similarly situated funds. The Board then discussed the profitability to IICO in managing the Fund, the derivation of that profitability analysis and the fact that IICO was exclusively responsible for paying each Subadviser's fees. After considering all of this information, the Board concluded that the Fund's expenses appear to be reasonable.

The Board considered the nature, extent and quality of services provided to the Fund by IICO and each Subadviser, taking into account the investment objective and strategy of each Fund and the knowledge the Board gained from their regular meetings with the IICO and Subadviser personnel directly responsible for the management of the Fund, as well as the materials provided in connection with those meetings. In addition, the Board reviewed the resources and key personnel of each Subadviser organization. The Board also considered other services provided to the Fund by IICO and each Subadviser. The Board concluded that the nature and extent of the services provided by each IICO and each Subadviser for each Fund are appropriate, that the quality of those services is consistent with quality norms in the industry and that each Fund is likely to benefit from the continued provision of those services.

The Board discussed whether IICO and each Subadviser derives any other direct or indirect benefits from serving as investment adviser to the respective Fund. The Board considered benefits that accrue to each from its respective relationship with the Fund, including the fact that a variety of services are provided by affiliates of IICO, including distribution, shareholder servicing and transfer agency services. After full consideration of these and other factors, the Board concluded that none of IICO, any Subadviser or any of their affiliate received any additional direct benefits that would warrant re-consideration and/or preclude the Board from approving the continuation of the investment advisory contract with IICO or the investment sub-advisory contract with any Subadviser.

The Board received and discussed information concerning whether economies of scale are being realized by each Fund and whether fee levels reflect those economies of scale for the benefit of the Fund's shareholders. The Board considered the current and anticipated asset levels of each Fund and the potential for growth in the Fund's assets. The Board concluded that the current asset size of any Fund did not warrant reevaluating any Fund's fee schedule at this time.

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## Proxy Voting Information

### Proxy Voting Guidelines

A description of the policies and procedures Ivy Funds uses to determine how to vote proxies relating to portfolio securities is available (i) without charge, upon request, by calling 800.777.6472 and (ii) on the Securities and Exchange Commission's (SEC) website at [www.sec.gov](http://www.sec.gov).

### Proxy Voting Records

Information regarding how Ivy Funds voted proxies relating to portfolio securities during the most recent 12 month period ending June 30 is available on Form N-PX through the Ivy Funds' website at [www.ivyfund.com](http://www.ivyfund.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov).

## Quarterly Portfolio Schedule Information

A complete schedule of portfolio holdings for the first and third quarters of each fiscal year is filed with the Securities and Exchange Commission (SEC) on the Fund's Form N-Q. This form may be obtained in the following ways:

- On the SEC's website at [www.sec.gov](http://www.sec.gov).
- For review and copy at the SEC's Public Reference Room in Washington, DC. Information on the operations of the Public Reference Room may be obtained by calling 1.800.SEC.0330.
- On the Ivy Funds' website at [www.ivyfund.com](http://www.ivyfund.com).

## To all Traditional IRA Planholders:

As required by law, we are hereby providing notice to you that income tax may be withheld automatically from any distribution or withdrawal from a traditional IRA. The Fund is generally required to withhold taxes unless you make a written election not to have taxes withheld. The election may be made on the distribution/withdrawal form provided by Waddell & Reed, Inc. which can be obtained from your Waddell & Reed representative or by submitting Internal Revenue Service Form W-4P. Once made, an election can be revoked by providing written notice to Waddell & Reed, Inc. If you elect not to have tax withheld you may be required to make payments of estimated tax. Penalties may be imposed by the IRS if withholding and estimated tax payments are not adequate.

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## THE IVY FUNDS FAMILY

### Global/International Funds

- Cundill Global Value Fund
- European Opportunities Fund
- International Fund
- International Balanced Fund
- International Growth Fund
- International Value Fund
- Pacific Opportunities Fund

### Domestic Equity Funds

- Capital Appreciation Fund (formerly, Tax-Managed Equity Fund)
- Core Equity Fund
- Dividend Income Fund
- Large Cap Growth Fund
- Mid Cap Growth Fund
- Small Cap Growth Fund
- Small Cap Value Fund
- Value Fund

### Fixed Income Funds

- Bond Fund
- High Income Fund
- Limited-Term Bond Fund
- Mortgage Securities Fund
- Municipal Bond Fund

### Money Market Funds

- Cash Reserves Fund
- Money Market Fund

### Specialty Funds

- Asset Strategy Fund
- Balanced Fund
- Global Natural Resources Fund
- Real Estate Securities Fund
- Science and Technology Fund

1.800.777.6472

Visit us online at [www.ivyfund.com](http://www.ivyfund.com)

The Ivy Funds are managed by Ivy Investment Management Company and distributed by its subsidiary, Ivy Funds Distributor, Inc.

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**

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P.O. Box 29217

Shawnee Mission, Kansas 66201-9217

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**IVY FUNDS**

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