



# Prospectus

## IVY VARIABLE INSURANCE PORTFOLIOS

VARIABLE INSURANCE PORTFOLIOS

April 30, 2021

### DOMESTIC EQUITY PORTFOLIOS

|                          |          |
|--------------------------|----------|
| Ivy VIP Core Equity      | Class II |
| Ivy VIP Growth           | Class II |
| Ivy VIP Mid Cap Growth   | Class I  |
| Ivy VIP Small Cap Core   | Class II |
| Ivy VIP Small Cap Growth | Class I  |
| Ivy VIP Value            | Class II |

### FIXED INCOME PORTFOLIOS

|                           |          |
|---------------------------|----------|
| Ivy VIP Corporate Bond    | Class II |
| Ivy VIP Global Bond       | Class II |
| Ivy VIP High Income       | Class I  |
| Ivy VIP Limited-Term Bond | Class II |

### GLOBAL/INTERNATIONAL PORTFOLIOS

|                                   |          |
|-----------------------------------|----------|
| Ivy VIP Global Equity Income      | Class II |
| Ivy VIP Global Growth             | Class II |
| Ivy VIP International Core Equity | Class II |

### SPECIALTY PORTFOLIOS

|   |         |          |
|---|---------|----------|
| Ivy VIP Asset Strategy                  | Class I | Class II |
| Ivy VIP Balanced                        |         | Class II |
| Ivy VIP Energy                          | Class I | Class II |
| Ivy VIP Natural Resources               |         | Class II |
| Ivy VIP Science and Technology          | Class I | Class II |
| Ivy VIP Securian Real Estate Securities |         | Class II |

### MONEY MARKET PORTFOLIO

|                                 |          |
|---------------------------------|----------|
| Ivy VIP Government Money Market | Class II |
|---------------------------------|----------|

### IVY VIP PATHFINDER PORTFOLIOS

|  |          |
|--|----------|
| Ivy VIP Pathfinder Aggressive              | Class II |
| Ivy VIP Pathfinder Moderately Aggressive   | Class II |
| Ivy VIP Pathfinder Moderate                | Class II |
| Ivy VIP Pathfinder Moderately Conservative | Class II |
| Ivy VIP Pathfinder Conservative            | Class II |

### IVY VIP PATHFINDER MANAGED VOLATILITY PORTFOLIOS

|   |          |
|---|----------|
| Ivy VIP Pathfinder Moderate — Managed Volatility                | Class II |
| Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility   | Class II |
| Ivy VIP Pathfinder Moderately Conservative — Managed Volatility | Class II |

Ivy Variable Insurance Portfolios (the Trust) is a management investment company, commonly known as a mutual fund, that has twenty-eight separate portfolios (each, a Portfolio, and collectively, the Portfolios), each with separate objectives and investment policies.

This Prospectus contains concise information about the Portfolios of which you should be aware before applying for certain variable life insurance policies and variable annuity contracts (collectively, Policies) offered by certain select insurance companies (Participating Insurance Companies (PICs)). This Prospectus should be read together with the prospectus for the particular Policy.

The U.S. Securities and Exchange Commission (SEC) has not approved or disapproved these securities, or determined whether this Prospectus is accurate or adequate. It is a criminal offense to state otherwise.

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# Ivy VIP Core Equity

## Objective

To seek to provide capital growth and appreciation.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees  |          |
|---|----------|
| (fees paid directly from your investment)   | N/A      |
| Annual Portfolio Operating Expenses   |          |
| (expenses that you pay each year as a % of the value of your investment)                | Class II |
| Management Fees   | 0.70%    |
| Distribution and Service (12b-1) Fees   | 0.25%    |
| Other Expenses  | 0.05%    |
| Total Annual Portfolio Operating Expenses   | 1.00%    |
| Fee Waiver and/or Expense Reimbursement <sup>1</sup>                                    | 0.05%    |
| Total Annual Portfolio Operating Expenses After Fee Waiver and/or Expense Reimbursement | 0.95%    |

<sup>1</sup> Through April 30, 2022, Ivy Investment Management Company (IICO), the Portfolio's investment manager, Ivy Distributors, Inc. (IDI), the Portfolio's distributor, and/or Waddell & Reed Services Company, doing business as WI Services Company (WISC), the Portfolio's transfer agent, have contractually agreed to reimburse sufficient management fees, 12b-1 fees and/or shareholder servicing fees to cap the total annual ordinary portfolio operating expenses (which would exclude interest, taxes, brokerage commissions, acquired fund fees and expenses and extraordinary expenses, if any) for Class II shares at 0.95%. Prior to that date, the expense limitation may not be terminated without the consent of the Board of Trustees.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year, that the Portfolio's operating expenses remain the same, and that expenses were capped for a one-year period, as indicated above. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$97   | \$313   | \$548   | \$1,220  |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 58% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Core Equity seeks to achieve its objective by investing, under normal circumstances, at least 80% of its net assets in equity securities, primarily in common stocks of large-capitalization companies. The Portfolio seeks to invest in companies that Ivy Investment Management Company (IICO), the Portfolio's investment manager, believes are high-quality, have sustainable competitive advantages accompanied by financial strength and earnings stability, and have leading positions in their industries. Large-capitalization companies typically are companies with market capitalizations of at least \$10 billion at the time of acquisition. The Portfolio invests in securities that have the potential for capital

appreciation, or that IICO expects to resist market decline. Although the Portfolio primarily invests in securities issued by large-capitalization companies, it may invest in securities issued by companies of any size. The Portfolio may invest in securities of companies across the valuation spectrum, including securities issued by growth and value companies.

IICO believes that long-term earnings potential relative to market expectations is an important component for stock performance. IICO balances a top-down (assessing the market environment) approach with a bottom-up (researching individual issuers) analysis when selecting securities for the Portfolio, and seeks to exploit what it believes to be catalysts for multi-year earnings growth in companies that it believes have strong or strengthening competitive advantages. Earnings catalysts are diversified across both thematic and company-specific projections.

From a top-down perspective, IICO seeks to identify current trends or themes which indicate specific industries that have the potential to experience multi-year growth. IICO considers various thematic catalysts in its analysis, including major macro-economic and political forces, cyclical inflections, changes in consumer behavior and technology shifts. Once a trend or theme is identified, IICO seeks to invest for the Portfolio in what it believes are dominant companies that will benefit from these trends or themes; including companies that IICO believes have long-term earnings potential that exceeds market expectations.

Through its bottom-up stock selection, IICO searches for companies for which it believes market expectations are too low with regard to the ability of the companies to grow their businesses.

In selecting securities for the Portfolio, IICO may consider whether a company has new products to introduce, has undergone cost restructuring or a management change, or has improved its execution, among other factors.

The Portfolio typically holds a limited number of stocks (generally 40 to 50).

IICO attempts to select securities that it believes have growth possibilities by looking at many factors, which may include a company's: projected long-term earnings power compared to market expectations over a multi-year horizon, competitive position in the global economy, history of improving sales and profits, management strength, ESG characteristics, established brand, leadership position in its industry, stock price value, potential earnings catalyst, dividend payment history, anticipated future dividend yield, and prospects for capital return in the form of dividends and stock buybacks.

Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

Generally, in determining whether to sell a security, IICO uses the same type of analysis that it uses in buying securities. Among other factors, IICO considers whether, in its opinion, the security has fully appreciated according to IICO's forecast, has ceased to offer the prospect of significant growth potential, has had its competitive barriers diminished, has seen its earnings catalyst lose its impact, or has performed below IICO's expectations regarding the company's long-term earnings potential. IICO also may sell a security to reduce the Portfolio's holding in that security if that issuer's competitive advantage has diminished or if the Portfolio's portfolio manager loses conviction in a previously identified trend or theme, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Catalyst Risk.** Investing in companies in anticipation of a catalyst carries the risk that certain of such catalysts may not happen or the market may react differently than expected to such catalysts, in which case the Portfolio may experience losses.
- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Foreign Exposure Risk.** The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.
- **Growth Stock Risk.** Prices of growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks. Growth stocks may be more volatile or not perform as well as value stocks or the stock market in general.

- **Holdings Risk.** The Portfolio typically holds a limited number of stocks (generally 40 to 50). As a result, the appreciation or depreciation of any one security held by the Portfolio may have a greater impact on the Portfolio's NAV than it would if the Portfolio invested in a larger number of securities.
- **Information Technology Sector Risk.** Investment risks associated with investing in the information technology sector, in addition to other risks, include the intense competition to which information technology companies may be subject; the dramatic and often unpredictable changes in growth rates and competition for qualified personnel among information technology companies; effects on profitability from being heavily dependent on patent and intellectual property rights and the loss or impairment of those rights; obsolescence of existing technology; general economic conditions; and government regulation.
- **Large Company Risk.** Large-capitalization companies may go in and out of favor based on market and economic conditions. Large-capitalization companies may be unable to respond quickly to new competitive challenges, such as changes in technology, and also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion. Although the securities of larger companies may be less volatile than those of companies with smaller market capitalizations, returns on investments in securities of large-capitalization companies could trail the returns on investments in securities of smaller companies.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Sector Risk.** At times, the Portfolio may have a significant portion of its assets invested in securities of companies conducting business in a broadly related group of industries within an economic sector. Individual sectors may be more volatile, and may perform differently, than the broader market. Companies in the same economic sector may be similarly affected by economic or market events, making the Portfolio more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly.
- **Theme Risk.** Because the Portfolio's investment strategy incorporates the identification of themes, the Portfolio's performance may suffer if IICO does not correctly identify such themes or if a theme develops in an unanticipated way.
- **Value Stock Risk.** Value stocks are stocks of companies that may have experienced adverse business or industry developments or may be subject to special risks that have caused the stocks to be out of favor and, in the opinion of IICO, undervalued. The value of a security believed by IICO to be undervalued may never reach what is believed to be its full value; such security's value may decrease or such security may be appropriately priced.

## Performance

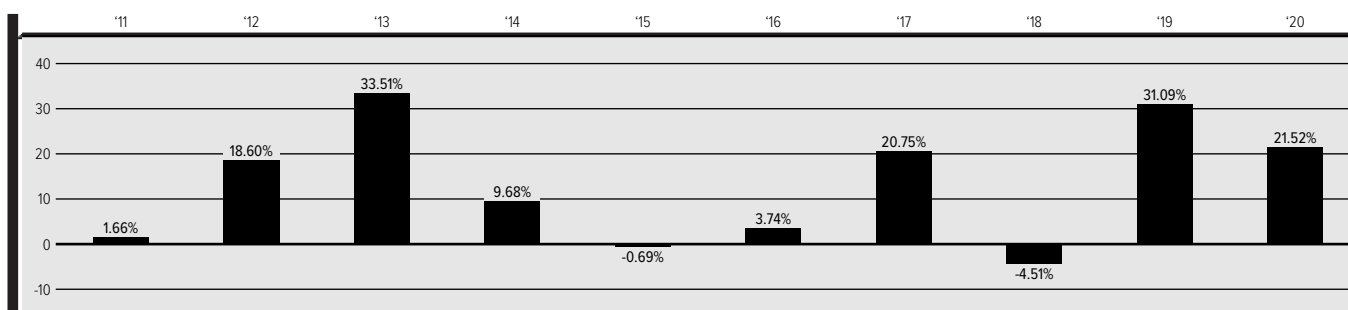
The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

## Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 20.25% (the second quarter of 2020) and the lowest quarterly return was -17.87% (the first quarter of 2020).

## Average Annual Total Returns

as of December 31, 2020

|  | 1 Year        | 5 Years       | 10 Years      |
|--|---------------|---------------|---------------|
| <b>Class II</b>  | <u>21.52%</u> | <u>13.76%</u> | <u>12.82%</u> |
| <b>Indexes</b>   |               |               |               |
| S&P 500 Index (reflects no deduction for fees, expenses or taxes)    | <u>18.40%</u> | <u>15.22%</u> | <u>13.88%</u> |
| Morningstar Large Growth Category Average (net of fees and expenses) | <u>35.86%</u> | <u>18.30%</u> | <u>15.14%</u> |

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Manager

Erik R. Becker, Senior Vice President of IICO, has managed the Portfolio since July 2006.

## Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## Payments to Broker-Dealers and other Financial Intermediaries

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.



# Ivy VIP Growth

## Objective

To seek to provide growth of capital.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |          |
|--|----------|
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| Management Fees  | 0.70%    |
| Distribution and Service (12b-1) Fees                                    | 0.25%    |
| Other Expenses   | 0.06%    |
| Total Annual Portfolio Operating Expenses                                | 1.01%    |

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$103  | \$322   | \$558   | \$1,236  |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 29% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Growth seeks to achieve its objective by investing primarily in a portfolio of common stocks issued by large-capitalization, growth-oriented companies that Ivy Investment Management Company (IICO), the Portfolio's investment manager, believes have a competitively advantaged business model, thereby eluding competition, and have the ability to sustain growth over the long term beyond investors' expectations. Large-capitalization companies typically are companies with market capitalizations of at least \$10 billion at the time of acquisition. Growth-oriented companies are those whose earnings IICO believes are likely to grow faster than the economy. The Portfolio is non-diversified, meaning that it may invest a significant portion of its total assets in a limited number of issuers.

In selecting securities for the Portfolio, IICO begins its investment process by screening large-capitalization companies based on profitability (capital returns and margins) and growth (sales and earnings), while simultaneously utilizing fundamental analysis to assess any unique business attributes that validate those financial characteristics. IICO uses a bottom-up (researching individual issuers) strategy in selecting securities for the Portfolio. IICO seeks to invest for the Portfolio in companies that it believes possess a structural competitive advantage or durable market leadership position. IICO looks for companies which serve large addressable markets with a demonstrated ability to sustain unit growth and high profitability. IICO also seeks to invest in companies that it believes have improving growth prospects or improving levels of profitability and returns.



A competitively advantaged business model can be defined by such factors as: brand loyalty, proprietary technology, cost structure, scale, exclusive access to data, or distribution advantages. Other factors considered include strength of management; ESG characteristics; level of competitive intensity; return of capital; strong balance sheets and cash flows; the threat of substitute products; and the interaction and bargaining power between a company, its customers, suppliers, and competitors. IICO's process for selecting stocks is based primarily on fundamental research, but does utilize quantitative analysis during the screening process.

From a quantitative standpoint, IICO concentrates on the level of profitability, capital intensity, cash flow and capital allocation measures, as well as earnings growth rates and valuations. IICO's fundamental research effort tries to identify those companies that it believes possess a sustainable competitive advantage, an important characteristic which typically enables a company to generate above-average levels of profitability and the ability to sustain growth over the long term.

■ The Portfolio typically holds a limited number of stocks (generally 35 to 50).

Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

In general, IICO may sell a security when, in IICO's opinion, a company experiences deterioration in its growth and/or profitability characteristics, or a fundamental breakdown of its sustainable competitive advantages. IICO also may sell a security if it believes that the security no longer presents sufficient appreciation potential; this may be caused by, or be an effect of, changes in the industry or sector of the issuer, loss by the company of its competitive position, poor execution by management, the threat of technological disruption and/or poor use of resources. IICO also may sell a security to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Foreign Exposure Risk.** The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.
- **Growth Stock Risk.** Prices of growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks. Growth stocks may be more volatile or not perform as well as value stocks or the stock market in general.
- **Holdings Risk.** The Portfolio typically holds a limited number of stocks (generally 35 to 50). As a result, the appreciation or depreciation of any one security held by the Portfolio may have a greater impact on the Portfolio's NAV than it would if the Portfolio invested in a larger number of securities.
- **Information Technology Sector Risk.** Investment risks associated with investing in the information technology sector, in addition to other risks, include the intense competition to which information technology companies may be subject; the dramatic and often unpredictable changes in growth rates and competition for qualified personnel among information technology companies; effects on profitability from being heavily dependent on patent and intellectual property rights and the loss or impairment of those rights; obsolescence of existing technology; general economic conditions; and government regulation.
- **Large Company Risk.** Large-capitalization companies may go in and out of favor based on market and economic conditions. Large-capitalization companies may be unable to respond quickly to new competitive challenges, such as changes in technology, and also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion. Although the securities of larger companies may be less volatile than those of companies with smaller market capitalizations, returns on investments in securities of large-capitalization companies could trail the returns on investments in securities of smaller companies.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.

■ **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

■ **Non-Diversification Risk.** The Portfolio is a “non-diversified” mutual fund and, as such, its investments are not required to meet certain diversification requirements under federal law. Compared with “diversified” funds, the Portfolio may invest a greater percentage of its assets in the securities of an issuer. Thus, the Portfolio may hold fewer securities than other funds. A decline in the value of those investments would cause the Portfolio's overall value to decline to a greater degree than if the Portfolio held more diversified holdings.

■ **Sector Risk.** At times, the Portfolio may have a significant portion of its assets invested in securities of companies conducting business in a broadly related group of industries within an economic sector. Individual sectors may be more volatile, and may perform differently, than the broader market. Companies in the same economic sector may be similarly affected by economic or market events, making the Portfolio more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

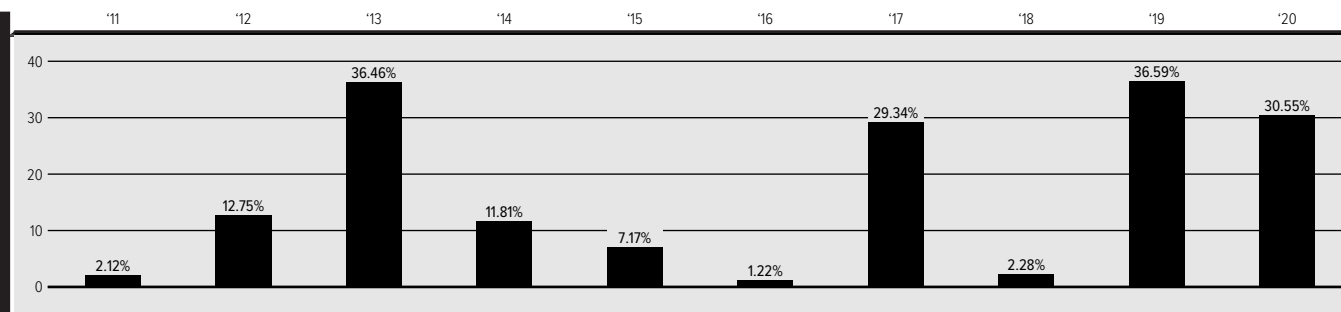
Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

Prior to April 30, 2012, the Portfolio's investment objective was to seek capital growth, with current income as a secondary objective. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide growth of capital.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 25.41% (the second quarter of 2020) and the lowest quarterly return was -14.69% (the fourth quarter of 2018).

| Average Annual Total Returns  |               |               |               |
|---|---------------|---------------|---------------|
| as of December 31, <u>2020</u>  | 1 Year        | 5 Years       | 10 Years      |
| <b>Class II</b>   | <u>30.55%</u> | <u>19.01%</u> | <u>16.22%</u> |
| <b>Indexes</b>  |               |               |               |
| Russell 1000 Growth Index (reflects no deduction for fees, expenses or taxes) | <u>38.49%</u> | <u>21.00%</u> | <u>17.21%</u> |
| Morningstar Large Growth Category Average (net of fees and expenses)          | <u>35.86%</u> | <u>18.30%</u> | <u>15.14%</u> |

### Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

### Portfolio Manager

Bradley M. Klapmeyer, Senior Vice President of IICO, has managed the Portfolio since August 2016.

### Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

### Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

### Payments to Broker-Dealers and other Financial Intermediaries

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Mid Cap Growth

## Objective

To seek to provide growth of capital.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees  |         |          |
|---|---------|----------|
| (fees paid directly from your investment)   |         | N/A      |
| Annual Portfolio Operating Expenses   |         |          |
| (expenses that you pay each year as a % of the value of your investment)                |         |          |
| Management Fees   | Class I | Class II |
|   | 0.85%   | 0.85%    |
| Distribution and Service (12b-1) Fees   | 0.00%   | 0.25%    |
| Other Expenses  | 0.05%   | 0.05%    |
| Total Annual Portfolio Operating Expenses   | 0.90%   | 1.15%    |
| Fee Waiver and/or Expense Reimbursement <sup>1,2</sup>                                  | 0.05%   | 0.05%    |
| Total Annual Portfolio Operating Expenses After Fee Waiver and/or Expense Reimbursement | 0.85%   | 1.10%    |

<sup>1</sup> Through April 30, 2022, Ivy Investment Management Company (IICO), the Portfolio's investment manager, Ivy Distributors, Inc. (IDI), the Portfolio's distributor, and/or Waddell & Reed Services Company, doing business as WI Services Company (WISC), the Portfolio's transfer agent, have contractually agreed to reimburse sufficient management fees, Rule 12b-1 fees (Class II only) and/or shareholder servicing fees to cap the total annual ordinary portfolio operating expenses (which would exclude interest, taxes, brokerage commissions, acquired fund fees and expenses and extraordinary expenses, if any) as follows: Class I Shares at 0.85% and Class II Shares at 1.10%. Prior to that date, the expense limitation may not be terminated without the consent of the Board of Trustees (Board).

<sup>2</sup> Through April 30, 2022, IDI and/or WISC have contractually agreed to reimburse sufficient fees to ensure that the total annual ordinary portfolio operating expenses (which would exclude interest, taxes, brokerage commissions, acquired fund fees and expenses and extraordinary expenses, if any) of the Class I Shares are at all times equal to the total annual ordinary portfolio operating expenses of the Class II shares less 0.25%, as calculated at the end of each month. Prior to that date, the expense limitation may not be terminated without the consent of the Board.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the particular class of shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year, that the Portfolio's operating expenses remain the same, and that expenses were capped for a one-year period, as indicated above. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class I  | \$ 87  | \$282   | \$494   | \$1,103  |
| Class II | 112    | 360     | 628     | 1,393    |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 25% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Mid Cap Growth seeks to achieve its objective by investing primarily in common stocks of mid-capitalization companies that Ivy Investment Management Company (IICO), the Portfolio's investment manager, believes are high quality and/or offer above-average growth potential. Under normal circumstances, the Portfolio invests at least 80% of its net assets in the securities of mid-capitalization companies, which, for purposes of this Portfolio, typically are companies with market capitalizations similar to those of issuers included in the Russell Midcap Growth Index over the last 13 months at the time of acquisition. As of June 30, 2020 (the quarter-end closest to the index's rebalance), this range of market capitalizations was between approximately \$556.77 million and \$47.97 billion.

In selecting securities for the Portfolio, IICO primarily emphasizes a bottom-up (researching individual issuers) approach and focuses on companies it believes have the potential for strong growth, increasing profitability, stable and sustainable revenue and earnings streams, attractive valuations and sound capital structures. IICO may look at a number of factors in its consideration of a company, such as: new or innovative products or services; adaptive or creative management; strong financial and operational capabilities to sustain multi-year growth; stable and consistent revenue, earnings, and cash flow; strong balance sheet; market potential; and profit potential. Part of IICO's investment process also includes a review of the macroeconomic environment, with a focus on factors such as interest rates, inflation, consumer confidence and corporate spending.

Generally, in determining whether to sell a security, IICO considers many factors, including what it believes to be excessive valuation given company growth prospects, deterioration of fundamentals, weak cash flow to support shareholder returns, and unexpected and poorly explained management changes. IICO also may sell a security to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Growth Stock Risk.** Prices of growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks. Growth stocks may be more volatile or not perform as well as value stocks or the stock market in general.
- **Health Care Sector Risk.** Investment risks associated with investing in securities in the health care sector, in addition to other risks, include heavy dependence on patent protection, with profitability affected by the expiration of patents; expenses and losses from extensive litigation based on product liability and similar claims; competitive forces that may make it difficult to raise prices and, in fact, may result in price discounting; the potentially long and costly process for obtaining new product approval by the U.S. Food and Drug Administration (FDA); the difficulty health care providers may have obtaining staff to deliver services; susceptibility to product obsolescence; and thin capitalization and limited product lines, markets, financial resources or personnel.
- **Information Technology Sector Risk.** Investment risks associated with investing in the information technology sector, in addition to other risks, include the intense competition to which information technology companies may be subject; the dramatic and often unpredictable changes in growth rates and competition for qualified personnel among information technology companies; effects on profitability from being heavily dependent on patent and intellectual property rights and the loss or impairment of those rights; obsolescence of existing technology; general economic conditions; and government regulation.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly

interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

- **Mid-Size Company Risk.** Securities of mid-capitalization companies may be more vulnerable to adverse developments than those of larger companies due to such companies' limited product lines, limited markets and financial resources and dependence upon a relatively small management group. Securities of mid-capitalization companies may be more volatile and less liquid than the securities of larger companies, and may be affected to a greater extent than other types of securities by the underperformance of a sector or during market downturns.
- **Sector Risk.** At times, the Portfolio may have a significant portion of its assets invested in securities of companies conducting business in a broadly related group of industries within an economic sector. Individual sectors may be more volatile, and may perform differently, than the broader market. Companies in the same economic sector may be similarly affected by economic or market events, making the Portfolio more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for each class of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

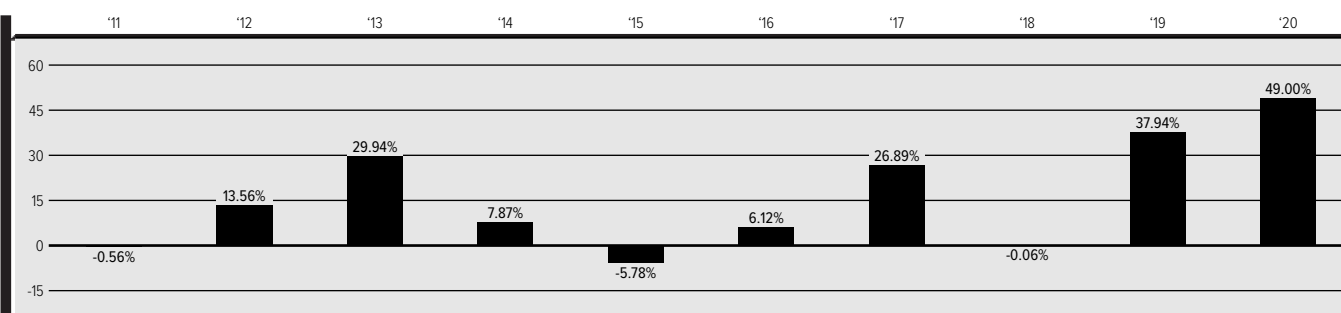
Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

Prior to April 30, 2012, the Portfolio's investment objective was to seek to provide growth of your investment. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide growth of capital.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 37.22% (the second quarter of 2020) and the lowest quarterly return was -19.61% (the third quarter of 2011).

Average Annual Total Returns

| as of December 31, <u>2020</u>  | 1 Year        | 5 Years       | 10 Years<br>(or Life of Class) |
|---|---------------|---------------|--------------------------------|
| ■ <b>Class I</b> (began on 4-28-2017)   | <u>49.37%</u> | N/A           | <u>27.03%</u>                  |
| ■ <b>Class II</b>   | <u>49.00%</u> | <u>22.57%</u> | <u>15.22%</u>                  |
| <b>Indexes</b>  |               |               |                                |
| ■ Russell Midcap Growth Index (reflects no deduction for fees, expenses or taxes) | <u>35.59%</u> | <u>18.66%</u> | <u>15.04%</u>                  |
| ■ Morningstar Mid-Cap Growth Category Average (net of fees and expenses)          | <u>39.26%</u> | <u>17.80%</u> | <u>13.83%</u>                  |



## **Investment Adviser**

The Portfolio is managed by Ivy Investment Management Company (IICO).

## **Portfolio Managers**

Kimberly A. Scott, Senior Vice President of IICO, has managed the Portfolio since April 2005, and Nathan A. Brown, Senior Vice President of IICO, has managed the Portfolio since October 2016.

## **Purchase and Sale of Portfolio Shares**

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies. Class I shares may be purchased only through fund of funds, advisory or trust accounts, wrap accounts or other asset allocation or fee-based investment arrangements.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## **Tax Information**

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.



# Ivy VIP Small Cap Core

## Objective

To seek to provide capital appreciation.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |          |
|--|----------|
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| Management Fees  | 0.85%    |
| Distribution and Service (12b-1) Fees                                    | 0.25%    |
| Other Expenses   | 0.10%    |
| Total Annual Portfolio Operating Expenses                                | 1.20%    |

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$122  | \$381   | \$660   | \$1,455  |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 145% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Small Cap Core seeks to achieve its objective by investing primarily in various types of equity securities of small-capitalization companies that Ivy Investment Management Company (IICO), the Portfolio's investment manager, believes have the greatest potential for capital appreciation. Under normal circumstances, at least 80% of the Portfolio's net assets will be invested, at the time of purchase, in common stocks of small-capitalization companies. For purposes of this Portfolio, small-capitalization companies typically are companies with market capitalizations similar to those of issuers included in the Russell 2000 Index over the last 13 months at the time of acquisition. As of June 30, 2020 (the quarter-end closest to the index's rebalance), this range of market capitalizations was between approximately \$47.94 million and \$5.94 billion.

The Portfolio seeks to invest in small-capitalization companies that IICO believes are undervalued relative to their potential for capital appreciation. In selecting securities for the Portfolio, IICO has the flexibility to invest in growth or value companies, or both, and primarily utilizes fundamental, bottom-up (researching individual issuers) research while considering top-down (assessing the market and economic environment) and quantitative analyses. In assessing investment opportunities, IICO seeks stocks that it believes exhibit relative strength and positive identifiable catalysts, while striving to avoid stocks with low liquidity. IICO seeks companies that are showing stable or positively trending fundamentals and that possess one or more of the following attributes: improving or consistently strong reported metrics

(favorable margins), capital discipline (favorable return on invested capital), a sustainable competitive advantage, seasoned management with appropriate incentives and a stable capital structure. In addition, IICO attempts to diversify the Portfolio's holdings among sectors, as well as among growth and value companies, in an effort to manage risk and to limit excess volatility. The Portfolio typically holds a limited number of stocks (generally 40 to 60).

IICO typically will sell a stock when, in IICO's opinion, it reaches an acceptable price relative to its estimated potential value, its fundamental factors have changed or IICO has changed its estimated value due to business performance that is below IICO's expectations. IICO also may sell a security to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Catalyst Risk.** Investing in companies in anticipation of a catalyst carries the risk that certain of such catalysts may not happen or the market may react differently than expected to such catalysts, in which case the Portfolio may experience losses.
- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Growth Stock Risk.** Prices of growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks. Growth stocks may be more volatile or not perform as well as value stocks or the stock market in general.
- **Holdings Risk.** The Portfolio typically holds a limited number of stocks (generally 40 to 60). As a result, the appreciation or depreciation of any one security held by the Portfolio may have a greater impact on the Portfolio's NAV than it would if the Portfolio invested in a larger number of securities.
- **Information Technology Sector Risk.** Investment risks associated with investing in the information technology sector, in addition to other risks, include the intense competition to which information technology companies may be subject; the dramatic and often unpredictable changes in growth rates and competition for qualified personnel among information technology companies; effects on profitability from being heavily dependent on patent and intellectual property rights and the loss or impairment of those rights; obsolescence of existing technology; general economic conditions; and government regulation.
- **Liquidity Risk.** Liquidity generally is related to the market trading volume for a particular security. Securities that have relatively less liquidity may trade at a discount from comparable, more liquid investments, and may be subject to wider fluctuations in market value. Such securities may be more difficult to dispose of at their recorded values and are subject to increased spreads and volatility. Also, the Portfolio may not be able to dispose of illiquid, or relatively less liquid, securities when that would be beneficial at a favorable time or price. Certain investments that generally were liquid when the Portfolio purchased them may become relatively less liquid, or even deemed illiquid, sometimes abruptly.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

- **Portfolio Turnover Risk.** Frequent buying and selling of investments involve higher costs to the Portfolio and may affect the Portfolio's performance over time. Factors that can lead to short-term trading include market volatility, a significant positive or negative development concerning a security, an attempt to maintain the Portfolio's market capitalization target, and the need to sell a security to meet redemption activity.
- **Small Company Risk.** Securities of small-capitalization companies are subject to greater price volatility, lower trading volume and less liquidity due to, among other things, such companies' small size, limited product lines, limited access to financing sources and limited management depth. In addition, the frequency and volume of trading of such securities may be less than is typical of larger companies, making them subject to wider price fluctuations and such securities may be affected to a greater extent than other types of securities by the underperformance of a sector or during market downturns. In some cases, there could be difficulties in selling securities of small-capitalization companies at the desired time.
- **Value Stock Risk.** Value stocks are stocks of companies that may have experienced adverse business or industry developments or may be subject to special risks that have caused the stocks to be out of favor and, in the opinion of IICO, undervalued. The value of a security believed by IICO to be undervalued may never reach what is believed to be its full value; such security's value may decrease or such security may be appropriately priced.

## Performance

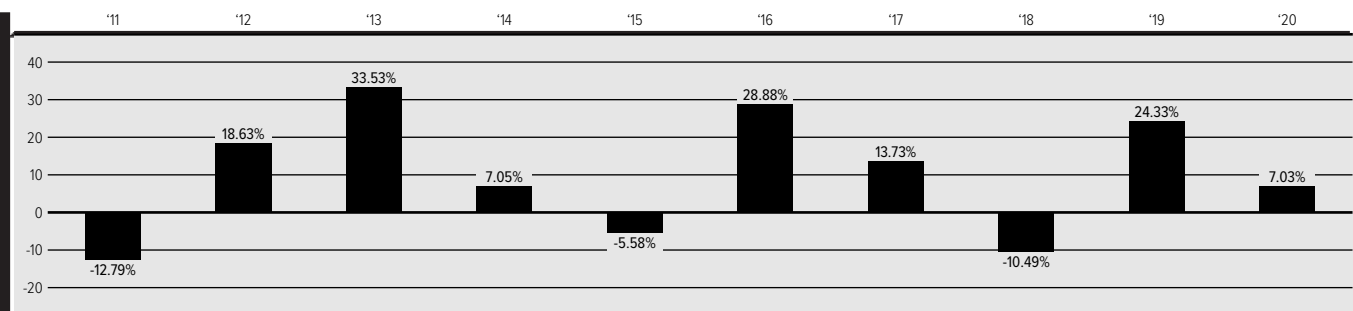
The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

■ Prior to April 30, 2012, the Portfolio's investment objective was to seek long-term accumulation of capital. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide capital appreciation. Effective April 28, 2017, the Portfolio changed its name and strategy to reflect a greater emphasis on core style companies. Performance prior to April 28, 2017 reflects the Portfolio's former strategy and may have differed if the Portfolio's current strategy had been in place.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

### Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 26.96% (the fourth quarter of 2020) and the lowest quarterly return was -29.04% (the first quarter of 2020).

### Average Annual Total Returns

as of December 31, 2020

|  | 1 Year        | 5 Years       | 10 Years      |
|--|---------------|---------------|---------------|
| ■ <b>Class II</b>  | <u>7.03%</u>  | <u>11.79%</u> | <u>9.32%</u>  |
| <b>Indexes</b>   |               |               |               |
| ■ Russell 2000 Index (reflects no deduction for fees, expenses or taxes) | <u>19.96%</u> | <u>13.26%</u> | <u>11.20%</u> |
| ■ Morningstar Small Blend Category Average (net of fees and expenses)    | <u>10.99%</u> | <u>10.50%</u> | <u>9.83%</u>  |

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## **Portfolio Manager**

Kenneth G. Gau, Senior Vice President of IICO, has managed the Portfolio since August 2014.

## **Purchase and Sale of Portfolio Shares**

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## **Tax Information**

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Small Cap Growth

## Objective

To seek to provide growth of capital.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |       |                     |
|--|-------|---------------------|
| (fees paid directly from your investment)  |       | N/A                 |
| Annual Portfolio Operating Expenses  |       |                     |
| (expenses that you pay each year as a % of the value of your investment)                       |       | Class I    Class II |
| <b>Management Fees</b>   | 0.85% | 0.85%               |
| <b>Distribution and Service (12b-1) Fees</b>   | 0.00% | 0.25%               |
| <b>Other Expenses</b>  | 0.07% | 0.07%               |
| <b>Acquired Fund Fees and Expenses<sup>1</sup></b>   | 0.01% | 0.01%               |
| <b>Total Annual Portfolio Operating Expenses<sup>2</sup></b>                                   | 0.93% | 1.18%               |
| <b>Fee Waiver and/or Expense Reimbursement<sup>3,4</sup></b>                                   | 0.03% | 0.03%               |
| <b>Total Annual Portfolio Operating Expenses After Fee Waiver and/or Expense Reimbursement</b> | 0.90% | 1.15%               |

<sup>1</sup> *Acquired Fund Fees and Expenses* sets forth the Portfolio's pro rata portion of the cumulative expenses charged by the registered investment company (RIC) in which the Fund invested during the last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of the RIC for the RIC's most recent fiscal period. These expenses are not direct costs paid by Portfolio shareholders, and are not used to calculate the Portfolio's NAV.

<sup>2</sup> *The Total Annual Portfolio Operating Expenses* ratio shown above does not correlate to the expense ratio shown in the Financial Highlights table because that ratio does not include the Acquired Fund Fees and Expenses.

<sup>3</sup> Through April 30, 2022, Ivy Investment Management Company (IICO), the Portfolio's investment manager, Ivy Distributors, Inc. (IDI), the Portfolio's distributor, and/or Waddell & Reed Services Company, doing business as WI Services Company (WISC), the Portfolio's transfer agent, have contractually agreed to reimburse sufficient management fees, 12b-1 fees and/or shareholder servicing fees to cap the total annual ordinary portfolio operating expenses (which would exclude interest, taxes, brokerage commissions, acquired fund fees and expenses and extraordinary expenses, if any) for Class II shares at 1.14%. Prior to that date, the expense limitation may not be terminated without the consent of the Board of Trustees (Board).

<sup>4</sup> Through April 30, 2022, IDI and/or WISC have contractually agreed to reimburse sufficient fees to ensure that the total annual ordinary portfolio operating expenses (which would exclude interest, taxes, brokerage commissions, acquired fund fees and expenses and extraordinary expenses, if any) of the Class I Shares are at all times equal to the total annual ordinary portfolio operating expenses of the Class II shares less 0.25%, as calculated at the end of each month. Prior to that date, the expense limitation may not be terminated without the consent of the Board.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the particular class of shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year, that the Portfolio's operating expenses remain the same, and that expenses were capped for a one-year period, as indicated above. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class I  | \$92   | \$293   | \$512   | \$1,140  |
| Class II | 117    | 372     | 646     | 1,429    |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio’s performance. During the most recent fiscal year, the Portfolio’s portfolio turnover rate was 50% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Small Cap Growth seeks to achieve its objective by investing, under normal circumstances, at least 80% of its net assets in common stocks of small-capitalization companies. For purposes of this Portfolio, small-capitalization companies typically are companies with market capitalizations similar to those of issuers included in the Russell 2000 Growth Index over the last 13 months at the time of acquisition. As of June 30, 2020 (the quarter-end closest to the index’s rebalance), this range of market capitalizations was between approximately \$65.55 million and \$5.94 billion. The Portfolio emphasizes smaller companies positioned in new or emerging industries where IICO believes there is opportunity for higher growth than in established companies or industries. The Portfolio’s investments in equity securities may include common stocks that are offered in initial public offerings (IPOs).

IICO utilizes a bottom-up (researching individual issuers) stock-picking process that considers quality of management and superior financial characteristics (e.g., return on assets, return on equity, operating margin) in its search for companies, thereby focusing on what it believes are higher-quality companies with sustainable growth prospects. IICO seeks companies that it believes exhibit successful and scalable business models by having one or more of the following characteristics: serving markets that are growing at rates substantially in excess of the average industry and/or the general economy; a company that is a leader in its industry and that possesses an identifiable competitive advantage; that features strong and effective management; that demonstrates a strong commitment to shareholders; that is serving a large and/or fast-growing market opportunity; that is experiencing upward margin momentum, a growth in earnings, growth in revenue and sales and/or positive cash flows; that is increasing market share and/or creating increasing barriers to entry either through technological advancement, marketing, distribution or some other innovative means; or that emphasizes organic growth. IICO believes that such companies generally have a replicable business model that allows for sustained growth.

Generally, in determining whether to sell a security, IICO uses the same type of analysis that it uses in buying securities. For example, IICO may sell a security if it believes that the stock no longer offers significant growth potential, which may be due to a change in the business or management of the company or a change in the industry or sector of the company. IICO also may sell a security to reduce the Portfolio’s holding in that security, if its analysis reveals evidence of a meaningful deterioration in operating trends, if it anticipates a decrease in the company’s ability to grow, if it loses confidence in the management of the company and/or the company’s founder departs, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio’s shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Growth Stock Risk.** Prices of growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks. Growth stocks may be more volatile or not perform as well as value stocks or the stock market in general.
- **Health Care Sector Risk.** Investment risks associated with investing in securities in the health care sector, in addition to other risks, include heavy dependence on patent protection, with profitability affected by the expiration of patents; expenses and losses from extensive litigation based on product liability and similar claims; competitive forces that may make it difficult to raise prices and, in fact, may result in price discounting; the potentially long and costly process for obtaining new product approval by the U.S. Food and Drug Administration (FDA); the difficulty health care providers may have obtaining staff to deliver services; susceptibility to product obsolescence; and thin capitalization and limited product lines, markets, financial resources or personnel.
- **Information Technology Sector Risk.** Investment risks associated with investing in the information technology sector, in addition to other risks, include the intense competition to which information technology companies may be



subject; the dramatic and often unpredictable changes in growth rates and competition for qualified personnel among information technology companies; effects on profitability from being heavily dependent on patent and intellectual property rights and the loss or impairment of those rights; obsolescence of existing technology; general economic conditions; and government regulation.

- **Initial Public Offering (IPO) Risk.** Any positive effect of investments in IPOs may not be sustainable because of a number of factors. Namely, the Portfolio may not be able to buy shares in some IPOs, or may be able to buy only a small number of shares. Also, the performance of IPOs generally is volatile, and is dependent on market psychology and economic conditions. To the extent that IPOs have a significant positive impact on the Portfolio's performance, this may not be able to be replicated in the future. The relative performance impact of IPOs also is likely to decline as the Portfolio grows.
- **Liquidity Risk.** Liquidity generally is related to the market trading volume for a particular security. Securities that have relatively less liquidity may trade at a discount from comparable, more liquid investments, and may be subject to wider fluctuations in market value. Such securities may be more difficult to dispose of at their recorded values and are subject to increased spreads and volatility. Also, the Portfolio may not be able to dispose of illiquid, or relatively less liquid, securities when that would be beneficial at a favorable time or price. Certain investments that generally were liquid when the Portfolio purchased them may become relatively less liquid, or even deemed illiquid, sometimes abruptly.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Sector Risk.** At times, the Portfolio may have a significant portion of its assets invested in securities of companies conducting business in a broadly related group of industries within an economic sector. Individual sectors may be more volatile, and may perform differently, than the broader market. Companies in the same economic sector may be similarly affected by economic or market events, making the Portfolio more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly.
- **Small Company Risk.** Securities of small-capitalization companies are subject to greater price volatility, lower trading volume and less liquidity due to, among other things, such companies' small size, limited product lines, limited access to financing sources and limited management depth. In addition, the frequency and volume of trading of such securities may be less than is typical of larger companies, making them subject to wider price fluctuations and such securities may be affected to a greater extent than other types of securities by the underperformance of a sector or during market downturns. In some cases, there could be difficulties in selling securities of small-capitalization companies at the desired time.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for each class of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

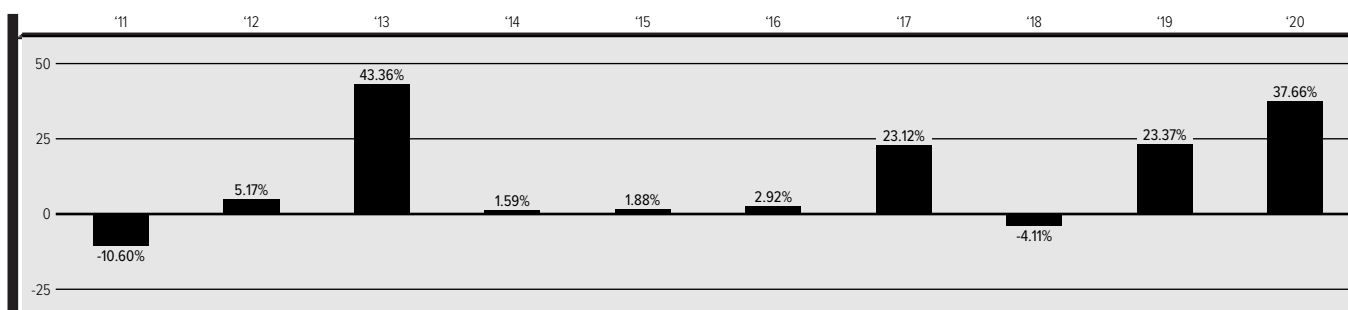
Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.



## Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 27.15% (the second quarter of 2020) and the lowest quarterly return was -28.33% (the third quarter of 2011).

## Average Annual Total Returns

| as of December 31, 2020   | 1 Year        | 5 Years       | 10 Years<br>(or Life of Class) |
|---|---------------|---------------|--------------------------------|
| <b>Class I (began on 11-2-2018)</b>   | <u>38.01%</u> | N/A           | <u>20.55%</u>                  |
| <b>Class II</b>   | <u>37.66%</u> | <u>15.59%</u> | <u>11.15%</u>                  |
| <b>Indexes</b>  |               |               |                                |
| Russell 2000 Growth Index (reflects no deduction for fees, expenses or taxes) | <u>34.63%</u> | <u>16.36%</u> | <u>13.48%</u>                  |
| Morningstar Small Growth Category Average (net of fees and expenses)          | <u>38.62%</u> | <u>17.75%</u> | <u>13.69%</u>                  |

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Managers

Kenneth G. McQuade, Senior Vice President of IICO, has managed the Portfolio since March 2006, and Timothy J. Miller, Senior Vice President of IICO, and Bradley P. Halverson, Senior Vice President of IICO, have managed the Portfolio since October 2016.

## Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies. Class I shares may be purchased only through fund of funds, advisory or trust accounts, wrap accounts or other asset allocation or fee-based investment arrangements.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## Payments to Broker-Dealers and other Financial Intermediaries

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Value

## Objective

To seek to provide capital appreciation.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

|  |          |
|--|----------|
| Shareholder Fees   |          |
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| Management Fees  | 0.70%    |
| Distribution and Service (12b-1) Fees                                    | 0.25%    |
| Other Expenses   | 0.06%    |
| Total Annual Portfolio Operating Expenses                                | 1.01%    |

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$103  | \$322   | \$558   | \$1,236  |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 63% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Value seeks to achieve its objective by investing in the common stocks of primarily large-capitalization companies that Ivy Investment Management Company (IICO), the Portfolio's investment manager, believes are undervalued, trading at a significant discount relative to the intrinsic value of the company as estimated by IICO and/or are out of favor in the financial markets but have a favorable outlook for capital appreciation. Although the Portfolio primarily invests in securities issued by large-capitalization companies (typically, companies with market capitalizations of at least \$10 billion at the time of acquisition), it may invest in securities issued by companies of any size.

To identify securities for the Portfolio, IICO primarily utilizes fundamental, bottom-up (researching individual issuers) research while considering top-down (assessing the market environment) and quantitative analyses. IICO primarily determines the estimated intrinsic value of companies based on cash flow generation, but IICO may consider other valuation factors, such as price to earnings and price to book value. IICO also considers other operational factors of a company, including, among others, growth potential, changes in share count, and changes in working capital. The Portfolio emphasizes companies that IICO believes have clearly identifiable catalysts that will help the companies achieve their estimated intrinsic values. The Portfolio typically holds a limited number of stocks (generally 30 to 45).

Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

IICO typically will sell a stock when, in IICO's opinion, it reaches an acceptable price, its fundamental characteristics have changed or it has performed below IICO's expectations. IICO also may sell a security to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Catalyst Risk.** Investing in companies in anticipation of a catalyst carries the risk that certain of such catalysts may not happen or the market may react differently than expected to such catalysts, in which case the Portfolio may experience losses.
- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Financials Sector Risk.** Investment risks associated with investing in securities in the financials sector, in addition to other risks, include extensive governmental regulation and/or nationalization that affects the scope of their activities, the prices they can charge and the amount of capital they must maintain; adverse effects from increases in interest rates; effects on profitability by loan losses, which usually increase in economic downturns; the severe competition to which banks, insurance, and financial services companies may be subject; and increased interindustry consolidation and competition in the financials sector. The impact of more stringent capital requirements, recent or future regulation on any individual financial company or recent or future regulation on the financials economic sector as a whole cannot be predicted.
- **Foreign Exposure Risk.** The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.
- **Holdings Risk.** The Portfolio typically holds a limited number of stocks (generally 30 to 45). As a result, the appreciation or depreciation of any one security held by the Portfolio may have a greater impact on the Portfolio's NAV than it would if the Portfolio invested in a larger number of securities.
- **Large Company Risk.** Large-capitalization companies may go in and out of favor based on market and economic conditions. Large-capitalization companies may be unable to respond quickly to new competitive challenges, such as changes in technology, and also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion. Although the securities of larger companies may be less volatile than those of companies with smaller market capitalizations, returns on investments in securities of large-capitalization companies could trail the returns on investments in securities of smaller companies.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

- **Sector Risk.** At times, the Portfolio may have a significant portion of its assets invested in securities of companies conducting business in a broadly related group of industries within an economic sector. Individual sectors may be more volatile, and may perform differently, than the broader market. Companies in the same economic sector may be similarly affected by economic or market events, making the Portfolio more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly.
- **Value Stock Risk.** Value stocks are stocks of companies that may have experienced adverse business or industry developments or may be subject to special risks that have caused the stocks to be out of favor and, in the opinion of IICO, undervalued. The value of a security believed by IICO to be undervalued may never reach what is believed to be its full value; such security's value may decrease or such security may be appropriately priced.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

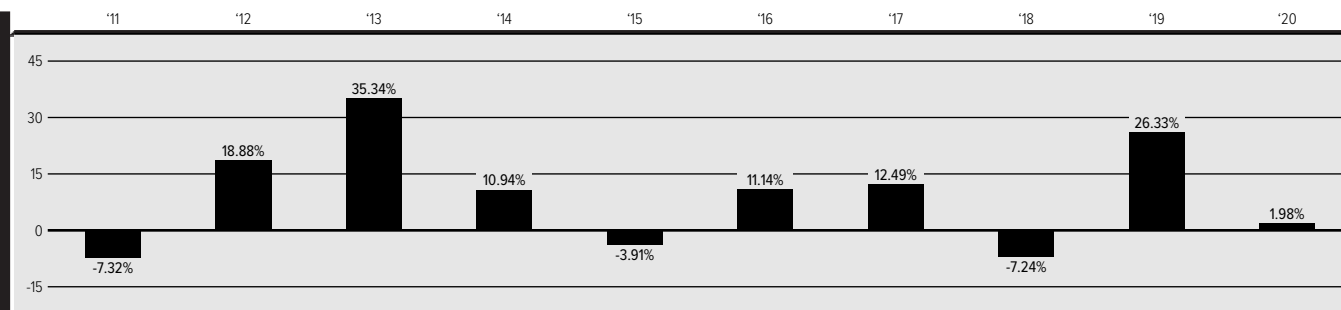
Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

Prior to April 30, 2012, the Portfolio's investment objective was to seek long-term capital appreciation. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide capital appreciation.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

### Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 18.82% (the fourth quarter of 2020) and the lowest quarterly return was -29.30% (the first quarter of 2020).

### Average Annual Total Returns

as of December 31, 2020

|  | 1 Year       | 5 Years      | 10 Years      |
|--|--------------|--------------|---------------|
| <b>Class II</b>  | <u>1.98%</u> | <u>8.36%</u> | <u>9.04%</u>  |
| <b>Indexes</b>   |              |              |               |
| Russell 1000 Value Index (reflects no deduction for fees, expenses or taxes) | <u>2.80%</u> | <u>9.74%</u> | <u>10.50%</u> |
| Morningstar Large Value Category Average (net of fees and expenses)          | <u>2.91%</u> | <u>9.42%</u> | <u>9.73%</u>  |

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Manager

Matthew T. Norris, Senior Vice President of IICO, has managed the Portfolio since July 2003.

## **Purchase and Sale of Portfolio Shares**

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## **Tax Information**

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Corporate Bond

## Objective

To seek to provide current income consistent with preservation of capital.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |          |
|--|----------|
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| Management Fees  | 0.48%    |
| Distribution and Service (12b-1) Fees                                    | 0.25%    |
| Other Expenses   | 0.04%    |
| Total Annual Portfolio Operating Expenses                                | 0.77%    |

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$79   | \$246   | \$428   | \$954    |

## Portfolio Turnover

The Portfolio bears transaction costs, such as spreads between bid and asked prices, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 95% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Corporate Bond seeks to achieve its objective by investing, under normal circumstances, at least 80% of its net assets in corporate bonds (also referred to as corporate "debt securities" or "fixed-income securities"). For this purpose, "corporate bonds" includes any debt security issued by a domestic or foreign company with an initial maturity greater than one year. The Portfolio invests primarily in investment-grade debt securities (including bonds rated BBB- or higher by S&P Global Ratings, a division of S&P Global, Inc. (S&P), or comparably rated by another nationally recognized statistical rating organization (NRSRO) or, if unrated, determined by Ivy Investment Management Company (IICO), the Portfolio's investment manager, to be of comparable quality). The Portfolio has no limitations regarding the duration or dollar-weighted average of its holdings, may invest in debt securities with varying maturities and can invest in debt securities issued by both domestic and foreign companies, in a variety of sectors and industries. The Portfolio may invest significantly in debt securities payable from the same sector.

In selecting debt securities for the Portfolio, IICO looks at a number of factors, including both a top-down (assessing the market environment) and a bottom-up (researching individual issuers) analysis. The top-down analysis looks at broad economic and financial trends in an effort to anticipate their impact on the fixed-income market and seeks to identify certain criteria that contribute to the overall target portfolio characteristics such as duration, spread, ratings and liquidity. The bottom-up analysis seeks to identify sectors that IICO believes have favorable risk/reward characteristics



and targets those sectors for overweight positioning. From the sector level, IICO identifies companies that have positive attributes and considers the issuer's past, present and estimated future: financial strength, cash flow, management, borrowing requirements, balance sheet policy and relative safety. Additional factors considered include leverage, interest coverage, revenue and margin stability, competition and industry trends, as well as relative value and liquidity.

Generally, in determining whether to sell a security, IICO uses the same type of analysis that it uses in buying securities. For example, IICO may sell a holding if, in IICO's opinion, the issuer's financial strength weakens and/or the yield and relative safety of the security decline. IICO also may sell a security to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Credit Risk.** An issuer of a fixed-income obligation may not make payments on the obligation when due or may default on its obligation. There also is the risk that an issuer could suffer adverse changes in its financial condition that could lower the credit quality of a security. This could lead to greater volatility in the price of the security, could affect the security's liquidity, and could make it more difficult to sell. A downgrade or default affecting any of the Portfolio's securities could affect the Portfolio's performance. In general, the longer the maturity and the lower the credit quality of a bond, the more sensitive it is to credit risk.
- **Extension Risk.** A rise in interest rates could cause borrowers to pay back the principal on certain debt securities, such as mortgage-backed or asset-backed securities, more slowly than expected, thus lengthening the average life of such securities. This could cause the value of such securities to be more volatile or to decline more than other fixed-income securities, and may magnify the effect of the rate increase on the price of such securities.
- **Financials Sector Risk.** Investment risks associated with investing in securities in the financials sector, in addition to other risks, include extensive governmental regulation and/or nationalization that affects the scope of their activities, the prices they can charge and the amount of capital they must maintain; adverse effects from increases in interest rates; effects on profitability by loan losses, which usually increase in economic downturns; the severe competition to which banks, insurance, and financial services companies may be subject; and increased interindustry consolidation and competition in the financials sector. The impact of more stringent capital requirements, recent or future regulation on any individual financial company or recent or future regulation on the financials economic sector as a whole cannot be predicted.
- **Fixed-Income Market Risk.** The prices of the Portfolio's fixed-income securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers. Generally, the Portfolio's fixed-income securities will decrease in value if interest rates rise and vice versa. In a low interest rate environment, risks associated with rising rates are heightened. Rising interest rates tend to decrease liquidity, increase trading costs and increase volatility, all of which may make portfolio management more difficult and costly to the Portfolio and its shareholders. In the case of foreign securities, price fluctuations will reflect international economic and political events, as well as changes in currency valuations relative to the U.S. dollar. Other factors may materially and adversely affect the market price and yield of such fixed-income securities, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Foreign Securities Risk.** Investing in foreign securities involves a number of economic, financial, legal and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending upon the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. The risks may be exacerbated in connection with investments in emerging markets.

World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher



for securities of issuers in emerging markets than in more developed markets. In the event that the Portfolio holds material positions in such suspended securities, the Portfolio's ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

- **Income Risk.** The risk that the Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security. The amount and rate of distributions that the Portfolio's shareholders receive are affected by the income that the Portfolio receives from its portfolio holdings. If the income is reduced, distributions by the Portfolio to shareholders may be less.
- **Interest Rate Risk.** A rise in interest rates may cause a decline in the value of the Portfolio's securities, especially securities with longer maturities. Typically, the longer the maturity or duration of a debt security, the greater the effect a change in interest rates could have on the security's price. Thus, the sensitivity of the Portfolio's debt securities to interest rate risk will increase with any increase in the duration of those securities. A decline in interest rates may cause the Portfolio to experience a decline in its income. Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. The Portfolio may be subject to heightened interest rate risk as a result of a rise or anticipated rise in interest rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.
- **Liquidity Risk.** Liquidity generally is related to the market trading volume for a particular security. Securities that have relatively less liquidity may trade at a discount from comparable, more liquid investments, and may be subject to wider fluctuations in market value. Such securities may be more difficult to dispose of at their recorded values and are subject to increased spreads and volatility. Also, the Portfolio may not be able to dispose of illiquid, or relatively less liquid, securities when that would be beneficial at a favorable time or price. Certain investments that generally were liquid when the Portfolio purchased them may become relatively less liquid, or even deemed illiquid, sometimes abruptly.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Reinvestment Risk.** A decline in interest rates may cause issuers to prepay higher-yielding securities held by the Portfolio, resulting in the Portfolio reinvesting in securities with lower yields, which may cause a decline in its income.
- **Sector Risk.** At times, the Portfolio may have a significant portion of its assets invested in securities of companies conducting business in a broadly related group of industries within an economic sector. Individual sectors may be more volatile, and may perform differently, than the broader market. Companies in the same economic sector may be similarly affected by economic or market events, making the Portfolio more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly.
- **U.S. Government Securities Risk.** Certain U.S. government securities, such as U.S. Treasury (Treasury) securities and securities issued by the Government National Mortgage Association (Ginnie Mae), are backed by the full faith and credit of the U.S. government. Other U.S. government securities, such as securities issued by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Banks (FHLB), are not backed by the full faith and credit of the U.S. government and, instead, may be supported only by the credit of the issuer or by the right of the issuer to borrow from the Treasury.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

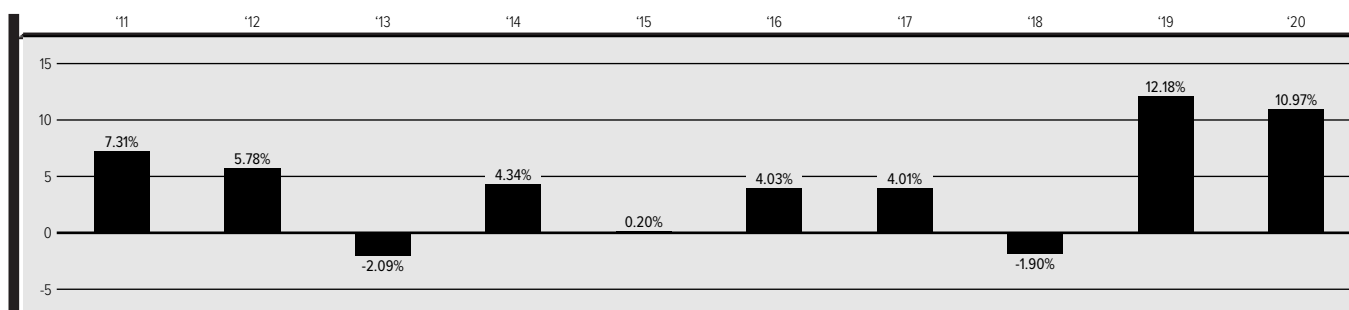
Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

Prior to April 30, 2012, the Portfolio's investment objective was to seek a reasonable return with emphasis on preservation of capital. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide current income consistent with preservation of capital. Effective April 30, 2018, the Portfolio changed its name and strategy to reflect a focus on corporate bonds, rather than in bonds generally. Performance prior to April 30, 2018 reflects the Portfolio's former strategy and may have differed if the Portfolio's current strategy had been in place.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

## Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 9.53% (the second quarter of 2020) and the lowest quarterly return was -3.05% (the fourth quarter of 2016).

## Average Annual Total Returns

as of December 31, 2020

|                 | 1 Year        | 5 Years      | 10 Years     |
|-----------------|---------------|--------------|--------------|
| <b>Class II</b> | <u>10.97%</u> | <u>5.73%</u> | <u>4.38%</u> |

## Indexes

|  |              |              |              |
|--|--------------|--------------|--------------|
| Bloomberg Barclays U.S. Credit Index (reflects no deduction for fees, expenses or taxes) | <u>9.35%</u> | <u>6.44%</u> | <u>5.40%</u> |
| Morningstar Corporate Bond Category Average (net of fees and expenses)                   | <u>9.24%</u> | <u>6.23%</u> | <u>5.31%</u> |

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Managers

Mark G. Beischel, Senior Vice President of IICO, and Susan K. Regan, Senior Vice President of IICO, have managed the Portfolio since April 2018.

## Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## Payments to Broker-Dealers and other Financial Intermediaries

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Global Bond

## Objective

To seek to provide a high level of current income. Capital appreciation is a secondary objective.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

|  |          |
|--|----------|
| Shareholder Fees   |          |
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| Management Fees  | 0.63%    |
| Distribution and Service (12b-1) Fees                                    | 0.25%    |
| Other Expenses   | 0.40%    |
| Total Annual Portfolio Operating Expenses <sup>1</sup>                   | 1.28%    |

<sup>1</sup> The Total Annual Portfolio Operating Expenses ratio shown in this table does not correlate to the expense ratio shown in the Financial Highlights table because the Portfolio has a voluntary waiver that is not reflected above.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$130  | \$406   | \$702   | \$1,545  |

## Portfolio Turnover

The Portfolio bears transaction costs, such as spreads between bid and asked prices, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 56% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Global Bond seeks to achieve its objectives by investing, under normal circumstances, at least 80% of its net assets in a diversified portfolio of bonds of foreign and U.S. issuers. The Portfolio may invest in debt securities, including secured and unsecured loan assignments, loan participations and other loan instruments (loans), issued by foreign or U.S. companies of any size, including those in emerging markets, as well as in debt securities issued by foreign or U.S. governments. Under normal circumstances, the Portfolio invests at least 40% (or, if Ivy Investment Management Company (IICO), the Portfolio's investment manager, deems it warranted by market conditions, at least 30%) of its total assets in securities of non-U.S. issuers. The Portfolio may invest up to 100% of its total assets in foreign securities and in securities denominated in currencies other than the U.S. dollar. The Portfolio may invest in securities of any maturity.

The Portfolio may invest in both investment and non-investment-grade securities. It may invest up to 35% of its total assets in non-investment-grade bonds, commonly called “high-yield” or “junk” bonds, primarily of foreign issuers, that include bonds rated BB+ or lower by S&P Global Ratings, a division of S&P Global, Inc. (S&P), or comparably rated by another nationally recognized statistical rating organization (NRSRO) or, if unrated, determined by IICO to be of comparable quality. The Portfolio will invest in non-investment-grade securities only if IICO deems the risks to be consistent with the Portfolio’s objectives.

Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

IICO may look at a number of factors in selecting securities for the Portfolio’s holdings including: identifying fundamental global themes; country analysis (economic, legislative/judicial and demographic trends); credit analysis of the issuer (financial strength, cash flow, balance sheet, capital structure, management, strategy and accounting); the maturity, quality, and denomination (U.S. dollar, euro, yen) of the issue; domicile, market share and industry of the issuer; and analysis of the issuer’s profit history through various economic cycles.

Generally, in determining whether to sell a security, IICO continues to analyze the factors considered for buying the security. IICO also considers its assumptions regarding a company, an industry, the markets, an individual economy and/or the global economy. IICO may sell a security to reduce the Portfolio’s holding in that security, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio’s shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objectives. These include:

- **Capital Repatriation Risk.** Capital repatriation involves the transfer of corporate money or property from a foreign country back to its home country. The repatriation of capital with regard to investments made in certain securities or countries may be restricted during certain times from the date of such investments or even indefinitely. If IICO is unable to repatriate capital from its investments, in whole or in part, this may have an adverse effect on the cash flows and/or performance of the Portfolio.
- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Credit Risk.** An issuer of a fixed-income obligation may not make payments on the obligation when due or may default on its obligation. There also is the risk that an issuer could suffer adverse changes in its financial condition that could lower the credit quality of a security. This could lead to greater volatility in the price of the security, could affect the security’s liquidity, and could make it more difficult to sell. A downgrade or default affecting any of the Portfolio’s securities could affect the Portfolio’s performance. In general, the longer the maturity and the lower the credit quality of a bond, the more sensitive it is to credit risk.
- **Emerging Market Risk.** Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets.
- **Extension Risk.** A rise in interest rates could cause borrowers to pay back the principal on certain debt securities, such as mortgage-backed or asset-backed securities, more slowly than expected, thus lengthening the average life of such securities. This could cause the value of such securities to be more volatile or to decline more than other fixed-income securities, and may magnify the effect of the rate increase on the price of such securities.
- **Fixed-Income Market Risk.** The prices of the Portfolio’s fixed-income securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers. Generally, the Portfolio’s fixed-income securities will decrease in value if interest rates rise and vice versa. In a low interest rate environment, risks associated with rising rates are heightened. Rising interest rates tend to decrease liquidity, increase trading costs and increase volatility, all of which may make portfolio management more difficult and costly to the Portfolio and its shareholders. In the case of foreign securities, price fluctuations will reflect international economic and political events, as well as changes in currency valuations relative to the U.S. dollar. Other factors may materially and adversely affect the market price and yield of such fixed-income securities, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide

economic conditions. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

- **Foreign Currency Risk.** Foreign securities may be denominated in foreign currencies. The value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations. Currency markets generally are not as regulated as securities markets.
- **Foreign Exposure Risk.** The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.
- **Foreign Securities Risk.** Investing in foreign securities involves a number of economic, financial, legal and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending upon the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. The risks may be exacerbated in connection with investments in emerging markets.  
World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that the Portfolio holds material positions in such suspended securities, the Portfolio's ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.
- **Income Risk.** The risk that the Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security. The amount and rate of distributions that the Portfolio's shareholders receive are affected by the income that the Portfolio receives from its portfolio holdings. If the income is reduced, distributions by the Portfolio to shareholders may be less.
- **Interest Rate Risk.** A rise in interest rates may cause a decline in the value of the Portfolio's securities, especially securities with longer maturities. Typically, the longer the maturity or duration of a debt security, the greater the effect a change in interest rates could have on the security's price. Thus, the sensitivity of the Portfolio's debt securities to interest rate risk will increase with any increase in the duration of those securities. A decline in interest rates may cause the Portfolio to experience a decline in its income. Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. The Portfolio may be subject to heightened interest rate risk as a result of a rise or anticipated rise in interest rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.
- **Liquidity Risk.** Liquidity generally is related to the market trading volume for a particular security. Securities that have relatively less liquidity may trade at a discount from comparable, more liquid investments, and may be subject to wider fluctuations in market value. Such securities may be more difficult to dispose of at their recorded values and are subject to increased spreads and volatility. Also, the Portfolio may not be able to dispose of illiquid, or relatively less liquid, securities when that would be beneficial at a favorable time or price. Certain investments that generally were liquid when the Portfolio purchased them may become relatively less liquid, or even deemed illiquid, sometimes abruptly.
- **Loan Risk.** In addition to the risks typically associated with fixed-income securities, loans carry other risks, including the risk of insolvency of the lending bank or other intermediary. The risks associated with loans are similar to the risks of low-rated debt securities or "junk" bonds since loans typically are below investment-grade. Loans may be unsecured or not fully collateralized, may be subject to restrictions on resale, may be difficult to value, sometimes trade infrequently on the secondary market and generally are subject to extended settlement periods. Any of these factors may impair the Portfolio's ability to sell or realize promptly the full value of its loans in the event of a need to liquidate such loans. Accordingly, loans that have been sold may not be immediately available to meet redemptions. Extended trade settlement periods may result in cash not being immediately available to the Portfolio. As a result, the Portfolio may have to sell other investments or engage in borrowing transactions to raise cash to meet its obligations. Interests in secured loans have the benefit of collateral and, typically, of restrictive covenants limiting the ability of the borrower to further encumber its assets. There is a risk that the value of the collateral securing a loan in which the Portfolio has an interest may decline and that the collateral may not be sufficient to cover the amount owed on the loan. In the event the borrower defaults, the Portfolio's access to the collateral may be limited or delayed by bankruptcy and other insolvency laws. These risks could cause the Portfolio to lose income or principal on a particular investment, which



could affect the Portfolio's returns. In addition, loans also are subject to the risk that a court could subordinate the loan to presently existing or future indebtedness or take other action detrimental to the holders of the loan. Further, in the event of a default, second or lower lien secured loans will generally be paid only if the value of the collateral exceeds the amount of the borrower's obligations to the senior secured lenders, and the remaining collateral may not be sufficient to cover the full amount owed on the loan in which the Portfolio has an interest. Loans made to finance highly leveraged companies or to finance corporate acquisitions or other transactions may be especially vulnerable to adverse changes in economic or market conditions.

With loan assignments, as an assignee, the Portfolio normally will succeed to all rights and obligations of its assignor with respect to the portion of the loan that is being assigned. However, the rights and obligations acquired by the purchaser of a loan assignment may differ from, and be more limited than, those held by the original lenders or the assignor. With loan participations, the Portfolio may not be able to control the exercise of any remedies that the lender would have under the loan and likely would not have any rights against the borrower directly, so that delays and expense may be greater than those that would be involved if the Portfolio could enforce its rights directly against the borrower.

- **Low-Rated Securities Risk.** In general, low-rated debt securities (commonly referred to as "high-yield" or "junk" bonds) offer higher yields due to the increased risk that the issuer will be unable to meet its obligations on interest or principal payments at the time called for by the debt instrument. For this reason, these securities are considered speculative and could significantly weaken the Portfolio's returns. In adverse economic or other circumstances, issuers of these low-rated securities and obligations are more likely to have difficulty making principal and interest payments than issuers of higher-rated securities and obligations. In addition, these low-rated securities and obligations may fluctuate more widely in price and yield than higher-rated securities and obligations and may fall in price during times when the economy is weak or is expected to become weak. Issuers of securities that are in default or have defaulted may fail to resume principal or interest payments, in which case the Portfolio may lose its entire investment. The creditworthiness of issuers of low-rated securities may be more complex to analyze than that of issuers of investment-grade debt securities.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Reinvestment Risk.** A decline in interest rates may cause issuers to prepay higher-yielding securities held by the Portfolio, resulting in the Portfolio reinvesting in securities with lower yields, which may cause a decline in its income.
- **Small Company Risk.** Securities of small-capitalization companies are subject to greater price volatility, lower trading volume and less liquidity due to, among other things, such companies' small size, limited product lines, limited access to financing sources and limited management depth. In addition, the frequency and volume of trading of such securities may be less than is typical of larger companies, making them subject to wider price fluctuations and such securities may be affected to a greater extent than other types of securities by the underperformance of a sector or during market downturns. In some cases, there could be difficulties in selling securities of small-capitalization companies at the desired time.
- **U.S. Government Securities Risk.** Certain U.S. government securities, such as U.S. Treasury (Treasury) securities and securities issued by the Government National Mortgage Association (Ginnie Mae), are backed by the full faith and credit of the U.S. government. Other U.S. government securities, such as securities issued by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Banks (FHLB), are not backed by the full faith and credit of the U.S. government and, instead, may be supported only by the credit of the issuer or by the right of the issuer to borrow from the Treasury.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of two broad-based securities market indexes and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

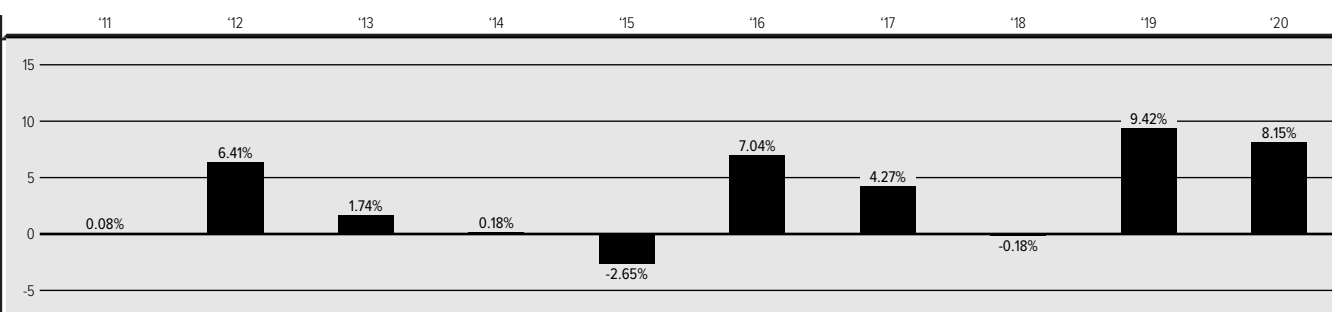
Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

Prior to April 30, 2012, the Portfolio's investment objective was to seek, as a primary objective, a high level of current income and, as a secondary objective, capital growth when consistent with its primary objective. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide a high level of current income and capital appreciation is a secondary objective.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

### Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 9.59% (the second quarter of 2020) and the lowest quarterly return was -7.22% (the first quarter of 2020).

### Average Annual Total Returns

as of December 31, 2020

|                 | 1 Year       | 5 Years      | 10 Years     |
|-----------------|--------------|--------------|--------------|
| <b>Class II</b> | <u>8.15%</u> | <u>5.68%</u> | <u>3.37%</u> |

#### Indexes

|   |              |              |              |
|---|--------------|--------------|--------------|
| <u>Bloomberg Barclays U.S. Universal Index<sup>1</sup> (reflects no deduction for fees, expenses or taxes)</u>  | <u>7.58%</u> | <u>4.87%</u> | <u>4.16%</u> |
| Bloomberg Barclays Global Credit 1-10 Year Index Hedged USD (reflects no deduction for fees, expenses or taxes) | <u>5.74%</u> | <u>5.23%</u> | <u>4.69%</u> |
| Morningstar World Bond Category Average (net of fees and expenses)  | <u>8.35%</u> | <u>4.66%</u> | <u>2.41%</u> |

<sup>1</sup> Effective August 24, 2020, the Portfolio changed its benchmark index from the Bloomberg Barclays Global Credit 1-10 Year Index Hedged USD to the Bloomberg Barclays U.S. Universal Index. IICO believes that this new index is more representative of the types of securities that the Portfolio invests in.

### Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

### Portfolio Manager

Mark G. Beischel, Senior Vice President and Global Director of Fixed Income of IICO, has managed the Portfolio since its inception in August 2010.

### Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

### Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.



## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP High Income

## Objective

To seek to provide total return through a combination of high current income and capital appreciation.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |         |          |
|--|---------|----------|
| (fees paid directly from your investment)                                |         | N/A      |
| Annual Portfolio Operating Expenses                                      |         |          |
| (expenses that you pay each year as a % of the value of your investment) |         |          |
| Management Fees  | Class I | Class II |
|  | 0.62%   | 0.62%    |
| Distribution and Service (12b-1) Fees                                    | 0.00%   | 0.25%    |
| Other Expenses   | 0.07%   | 0.07%    |
| Acquired Fund Fees and Expenses <sup>1</sup>                             | 0.03%   | 0.03%    |
| Total Annual Portfolio Operating Expenses <sup>2,3</sup>                 | 0.72%   | 0.97%    |

<sup>1</sup> Acquired Fund Fees and Expenses sets forth the Portfolio's *pro rata* portion of the cumulative expenses charged by the registered investment companies (RICs) in which the Portfolio invested during the last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of the RICs for the RICs' most recent fiscal period. These expenses are not direct costs paid by Portfolio shareholders, and are not used to calculate the Portfolio's NAV.

<sup>2</sup> The Total Annual Portfolio Operating Expenses ratio shown in this table does not correlate to the expense ratio shown in the Financial Highlights table because that ratio does not include the Acquired Fund Fees and Expenses.

<sup>3</sup> Through April 30, 2022, Ivy Distributors, Inc. (IDI), the Portfolio's distributor, and/or Waddell & Reed Services Company (doing business as WI Services Company (WISC)), the Portfolio's transfer agent, have contractually agreed to reimburse sufficient fees to ensure that the total annual ordinary portfolio operating expenses (which would exclude interest, taxes, brokerage commissions, acquired fund fees and expenses and extraordinary expenses, if any) of the Class I shares are at all times equal to the total annual ordinary portfolio operating expenses of the Class II shares less 0.25%, as calculated at the end of each month. Prior to that date, the expense limitation may not be terminated without the consent of the Board of Trustees (Board).

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the particular class of shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class I  | \$74   | \$230   | \$401   | \$894    |
| Class II | 99     | 309     | 536     | 1,190    |

## Portfolio Turnover

The Portfolio bears transaction costs, such as spreads between bid and asked prices, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 52% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP High Income seeks to achieve its objective by investing primarily in a diversified portfolio of high-yield, high-risk, fixed-income securities, including secured and unsecured loan assignments, loan participations and other loan instruments (loans), of U.S. and foreign issuers, the risks of which are, in the judgment of Ivy Investment Management

Company (IICO), the Portfolio's investment manager, consistent with the Portfolio's objective. The Portfolio invests primarily in lower-quality debt securities, which include debt securities rated BBB+ or lower by S&P Global Ratings, a division of S&P Global, Inc. (S&P), or comparably rated by another nationally recognized statistical rating organization (NRSRO) or, if unrated, determined by IICO to be of comparable quality. The Portfolio may invest up to 100% of its total assets in non-investment-grade debt securities, commonly called "high-yield" or "junk" bonds, which include debt securities rated BB+ or lower by S&P, or comparably rated by another NRSRO or, if unrated, determined by IICO to be of comparable quality. The Portfolio may invest in fixed-income securities of any maturity.

The Portfolio may invest up to 100% of its total assets in foreign securities that are denominated in U.S. dollars or foreign currencies. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

The Portfolio may invest in restricted securities.

Although IICO considers credit ratings in selecting investments for the Portfolio, IICO bases its investment decisions for a particular instrument primarily on its own credit analysis and not on a NRSRO's credit rating. In selecting securities, IICO may conduct an initial screening of issuers based on characteristics such as yield, performance, maturity and relative value across and within sectors. Following its initial screening, IICO may look at a number of factors beginning with a primarily bottom-up (researching individual issuers) analysis that includes extensive modeling and talking with a company's management team, industry consultants and sell-side research to help formulate opinions, and progressing to consideration of the current economic environment, the direction and level of interest rates and inflation, and industry fundamentals and trends in the general economy. Other factors considered include a company's financial strength, growth of operating cash flows, strength of management, borrowing requirements, improving credit metrics, potential to improve credit standing, responsiveness to changes in interest rates and business conditions, strength of business model, competitive advantage and capital structure and future capital needs. Initial position sizes are determined based on factors that include size of issue, rating, duration, coupon, call-ability, exposure to a specific industry and leverage.

IICO attempts to optimize the Portfolio's risk/reward by investing in the debt portion of the capital structure that IICO believes to be most attractive, which may include secured and/or unsecured loans, floating rate notes and/or secured and/or unsecured high-yield bonds. For example, if IICO believes that market conditions are favorable for a particular type of fixed-income instrument, such as high-yield bonds, most or all of the fixed-income instruments in which the Portfolio invests may be high-yield bonds. Similarly, if IICO believes that market conditions are favorable for loans, most or all of the fixed-income instruments in which the Portfolio invests may be loans, including second-lien loans which typically are lower in the capital structure and less liquid than first-lien loans.

Generally, in determining whether to sell a security, IICO considers the dynamics of an industry and/or company change or anticipated change, a change in strategy by a company, a deterioration of the company's financial model, credit quality or credit standing, and/or a change in management's consideration of its creditors. IICO also may sell a security if, in IICO's opinion, the price of the security has risen to fully reflect the company's improved creditworthiness and other investments with greater potential exist. IICO also may sell a security to take advantage of what it believes are more attractive investment opportunities, to reduce the Portfolio's holding in that security or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Credit Risk.** An issuer of a fixed-income obligation may not make payments on the obligation when due or may default on its obligation. There also is the risk that an issuer could suffer adverse changes in its financial condition that could lower the credit quality of a security. This could lead to greater volatility in the price of the security, could affect the security's liquidity, and could make it more difficult to sell. A downgrade or default affecting any of the Portfolio's securities could affect the Portfolio's performance. In general, the longer the maturity and the lower the credit quality of a bond, the more sensitive it is to credit risk.
- **Extension Risk.** A rise in interest rates could cause borrowers to pay back the principal on certain debt securities, such as mortgage-backed or asset-backed securities, more slowly than expected, thus lengthening the average life of such securities. This could cause the value of such securities to be more volatile or to decline more than other fixed-income securities, and may magnify the effect of the rate increase on the price of such securities.
- **Fixed-Income Market Risk.** The prices of the Portfolio's fixed-income securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual

issuers. Generally, the Portfolio's fixed-income securities will decrease in value if interest rates rise and vice versa. In a low interest rate environment, risks associated with rising rates are heightened. Rising interest rates tend to decrease liquidity, increase trading costs and increase volatility, all of which may make portfolio management more difficult and costly to the Portfolio and its shareholders. In the case of foreign securities, price fluctuations will reflect international economic and political events, as well as changes in currency valuations relative to the U.S. dollar. Other factors may materially and adversely affect the market price and yield of such fixed-income securities, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

- **Foreign Currency Risk.** Foreign securities may be denominated in foreign currencies. The value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations. Currency markets generally are not as regulated as securities markets.
- **Foreign Exposure Risk.** The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.
- **Foreign Securities Risk.** Investing in foreign securities involves a number of economic, financial, legal and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending upon the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. The risks may be exacerbated in connection with investments in emerging markets.  
World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that the Portfolio holds material positions in such suspended securities, the Portfolio's ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.
- **Income Risk.** The risk that the Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security. The amount and rate of distributions that the Portfolio's shareholders receive are affected by the income that the Portfolio receives from its portfolio holdings. If the income is reduced, distributions by the Portfolio to shareholders may be less.
- **Interest Rate Risk.** A rise in interest rates may cause a decline in the value of the Portfolio's securities, especially securities with longer maturities. Typically, the longer the maturity or duration of a debt security, the greater the effect a change in interest rates could have on the security's price. Thus, the sensitivity of the Portfolio's debt securities to interest rate risk will increase with any increase in the duration of those securities. A decline in interest rates may cause the Portfolio to experience a decline in its income. Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. The Portfolio may be subject to heightened interest rate risk as a result of a rise or anticipated rise in interest rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.
- **Liquidity Risk.** Liquidity generally is related to the market trading volume for a particular security. Securities that have relatively less liquidity may trade at a discount from comparable, more liquid investments, and may be subject to wider fluctuations in market value. Such securities may be more difficult to dispose of at their recorded values and are subject to increased spreads and volatility. Also, the Portfolio may not be able to dispose of illiquid, or relatively less liquid, securities when that would be beneficial at a favorable time or price. Certain investments that generally were liquid when the Portfolio purchased them may become relatively less liquid, or even deemed illiquid, sometimes abruptly.
- **Loan Risk.** In addition to the risks typically associated with fixed-income securities, loans carry other risks, including the risk of insolvency of the lending bank or other intermediary. The risks associated with loans are similar to the risks of low-rated debt securities or "junk" bonds since loans typically are below investment-grade. Loans may be unsecured or not fully collateralized, may be subject to restrictions on resale, may be difficult to value, sometimes trade infrequently on the secondary market and generally are subject to extended settlement periods. Any of these factors may impair the Portfolio's ability to sell or realize promptly the full value of its loans in the event of a need to liquidate such loans. Accordingly, loans that have been sold may not be immediately available to meet redemptions. Extended

trade settlement periods may result in cash not being immediately available to the Portfolio. As a result, the Portfolio may have to sell other investments or engage in borrowing transactions to raise cash to meet its obligations. Interests in secured loans have the benefit of collateral and, typically, of restrictive covenants limiting the ability of the borrower to further encumber its assets. There is a risk that the value of the collateral securing a loan in which the Portfolio has an interest may decline and that the collateral may not be sufficient to cover the amount owed on the loan. In the event the borrower defaults, the Portfolio's access to the collateral may be limited or delayed by bankruptcy and other insolvency laws. These risks could cause the Portfolio to lose income or principal on a particular investment, which could affect the Portfolio's returns. In addition, loans also are subject to the risk that a court could subordinate the loan to presently existing or future indebtedness or take other action detrimental to the holders of the loan. Further, in the event of a default, second or lower lien secured loans will generally be paid only if the value of the collateral exceeds the amount of the borrower's obligations to the senior secured lenders, and the remaining collateral may not be sufficient to cover the full amount owed on the loan in which the Portfolio has an interest. Loans made to finance highly leveraged companies or to finance corporate acquisitions or other transactions may be especially vulnerable to adverse changes in economic or market conditions.

With loan assignments, as an assignee, the Portfolio normally will succeed to all rights and obligations of its assignor with respect to the portion of the loan that is being assigned. However, the rights and obligations acquired by the purchaser of a loan assignment may differ from, and be more limited than, those held by the original lenders or the assignor. With loan participations, the Portfolio may not be able to control the exercise of any remedies that the lender would have under the loan and likely would not have any rights against the borrower directly, so that delays and expense may be greater than those that would be involved if the Portfolio could enforce its rights directly against the borrower.

- **Low-Rated Securities Risk.** In general, low-rated debt securities (commonly referred to as “high-yield” or “junk” bonds) offer higher yields due to the increased risk that the issuer will be unable to meet its obligations on interest or principal payments at the time called for by the debt instrument. For this reason, these securities are considered speculative and could significantly weaken the Portfolio's returns. In adverse economic or other circumstances, issuers of these low-rated securities and obligations are more likely to have difficulty making principal and interest payments than issuers of higher-rated securities and obligations. In addition, these low-rated securities and obligations may fluctuate more widely in price and yield than higher-rated securities and obligations and may fall in price during times when the economy is weak or is expected to become weak. Issuers of securities that are in default or have defaulted may fail to resume principal or interest payments, in which case the Portfolio may lose its entire investment. The creditworthiness of issuers of low-rated securities may be more complex to analyze than that of issuers of investment-grade debt securities.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Reinvestment Risk.** A decline in interest rates may cause issuers to prepay higher-yielding securities held by the Portfolio, resulting in the Portfolio reinvesting in securities with lower yields, which may cause a decline in its income.
- **Restricted Securities Risk.** Restricted securities are subject to legal or contractual restrictions on resale, and there can be no assurance of a ready market for resale. These securities include private placements or other unregistered securities, such as “Rule 144A securities”, which are securities that may be sold only to qualified institutional buyers pursuant to the Securities Act of 1933, as amended (1933 Act). Privately placed securities, Rule 144A securities and other restricted securities may have the effect of increasing the level of Portfolio illiquidity to the extent the Portfolio finds it difficult to sell these securities when IICO believes it is desirable to do so, especially under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer, and the prices realized could be less than those originally paid, or less than the fair market value. At times, the illiquidity of the market, as well as the lack of publicly available information regarding these securities also may make it difficult to determine the fair market value of such securities for purposes of computing the NAV of the Portfolio.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for each class of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

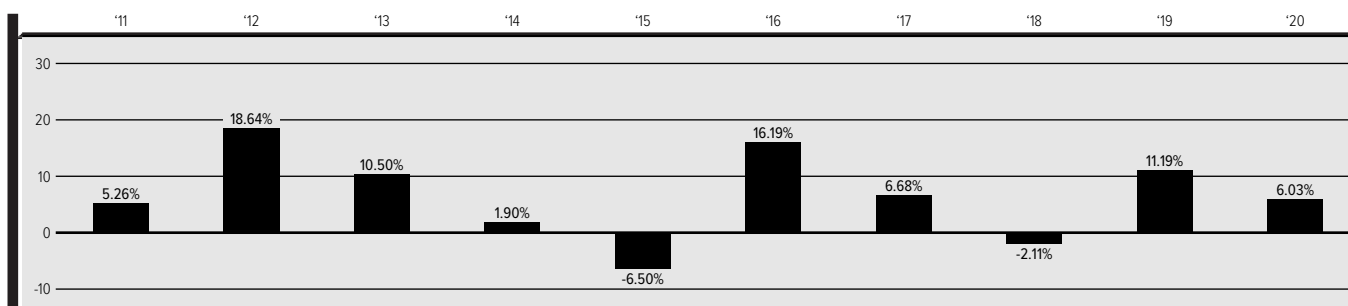
Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

Prior to April 30, 2012, the Portfolio's investment objective was to seek, as its primary objective, a high level of current income and, as a secondary objective, to seek capital growth when consistent with its primary objective. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide total return through a combination of high current income and capital appreciation.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

#### Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 8.56% (the second quarter of 2020) and the lowest quarterly return was -14.50% (the first quarter of 2020).

#### Average Annual Total Returns

| as of December 31, 2020  | 1 Year | 5 Years | 10 Years<br>(or Life of Class) |
|--|--------|---------|--------------------------------|
| Class I (began on 4-28-2017)   | 6.30%  | N/A     | 5.15%                          |
| Class II   | 6.03%  | 7.42%   | 6.52%                          |
| <b>Indexes</b>   |        |         |                                |
| ICE BofA US High Yield Index (reflects no deduction for fees, expenses or taxes) | 6.17%  | 8.43%   | 6.62%                          |
| Morningstar High-Yield Bond Category Average (net of fees and expenses)          | 4.91%  | 6.75%   | 5.55%                          |

#### Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

#### Portfolio Manager

Chad A. Gunther, Senior Vice President of IICO, has managed the Portfolio since July 2014.

#### Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies. Class I shares may be purchased only through fund of funds, advisory or trust accounts, wrap accounts or other asset allocation or fee-based investment arrangements.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

#### Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.



## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Limited-Term Bond

## Objective

To seek to provide current income consistent with preservation of capital.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |          |
|--|----------|
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| Management Fees  | 0.50%    |
| Distribution and Service (12b-1) Fees                                    | 0.25%    |
| Other Expenses   | 0.06%    |
| Total Annual Portfolio Operating Expenses                                | 0.81%    |

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$83   | \$259   | \$450   | \$1,002  |

## Portfolio Turnover

The Portfolio bears transaction costs, such as spreads between bid and asked prices, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 74% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Limited-Term Bond seeks to achieve its objective by investing primarily in investment-grade, U.S. dollar-denominated, limited-term debt securities (securities with a dollar-weighted average maturity of one to five years) of primarily U.S. issuers. The Portfolio may invest in U.S. government securities, corporate debt securities, mortgage-backed securities including collateralized mortgage obligations (CMOs) and other asset-backed securities. The Portfolio seeks to identify relative value opportunities between these sectors of the fixed-income market. Under normal circumstances, the Portfolio invests at least 80% of its net assets in bonds with limited-term maturities.

Investment-grade debt securities include bonds rated BBB- or higher by S&P Global Ratings, a division of S&P Global, Inc. (S&P), or comparably rated by another nationally recognized statistical rating organization (NRSRO) or, if unrated, determined by Ivy Investment Management Company (IICO), the Portfolio's investment manager, to be of comparable quality.

IICO may look at a number of factors in selecting securities for the Portfolio's holdings, beginning with a top-down (assessing the market environment) review of the broad economic and financial trends in the U.S. and world markets. This process aids in the determination of economic fundamentals, which leads to sector allocation. Within a sector, IICO

typically considers the maturity and perceived liquidity of the security, the relative value of the security based on historical yield information, the creditworthiness of the particular issuer (if not backed by the full faith and credit of the Treasury), and prepayment risks for mortgage-backed securities and other debt securities with call provisions.

Generally, in determining whether to sell a security, IICO uses the same type of analysis that it uses in buying securities, including review of the security's valuation and the issuer's creditworthiness. IICO also may sell a security to take advantage of what it believes are more attractive investment opportunities, to reduce the Portfolio's holding in that security or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Credit Risk.** An issuer of a fixed-income obligation may not make payments on the obligation when due or may default on its obligation. There also is the risk that an issuer could suffer adverse changes in its financial condition that could lower the credit quality of a security. This could lead to greater volatility in the price of the security, could affect the security's liquidity, and could make it more difficult to sell. A downgrade or default affecting any of the Portfolio's securities could affect the Portfolio's performance. In general, the longer the maturity and the lower the credit quality of a bond, the more sensitive it is to credit risk.
- **Extension Risk.** A rise in interest rates could cause borrowers to pay back the principal on certain debt securities, such as mortgage-backed or asset-backed securities, more slowly than expected, thus lengthening the average life of such securities. This could cause the value of such securities to be more volatile or to decline more than other fixed-income securities, and may magnify the effect of the rate increase on the price of such securities.
- **Fixed-Income Market Risk.** The prices of the Portfolio's fixed-income securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers. Generally, the Portfolio's fixed-income securities will decrease in value if interest rates rise and vice versa. In a low interest rate environment, risks associated with rising rates are heightened. Rising interest rates tend to decrease liquidity, increase trading costs and increase volatility, all of which may make portfolio management more difficult and costly to the Portfolio and its shareholders. In the case of foreign securities, price fluctuations will reflect international economic and political events, as well as changes in currency valuations relative to the U.S. dollar. Other factors may materially and adversely affect the market price and yield of such fixed-income securities, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Income Risk.** The risk that the Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security. The amount and rate of distributions that the Portfolio's shareholders receive are affected by the income that the Portfolio receives from its portfolio holdings. If the income is reduced, distributions by the Portfolio to shareholders may be less.
- **Interest Rate Risk.** A rise in interest rates may cause a decline in the value of the Portfolio's securities, especially securities with longer maturities. Typically, the longer the maturity or duration of a debt security, the greater the effect a change in interest rates could have on the security's price. Thus, the sensitivity of the Portfolio's debt securities to interest rate risk will increase with any increase in the duration of those securities. A decline in interest rates may cause the Portfolio to experience a decline in its income. Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. The Portfolio may be subject to heightened interest rate risk as a result of a rise or anticipated rise in interest rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Mortgage-Backed and Asset-Backed Securities Risk.** Mortgage-backed and asset-backed securities are subject to prepayment risk and extension risk. When interest rates decline, unscheduled prepayments can be expected to accelerate, shortening the average lives of such securities, and the Portfolio may be required to reinvest the proceeds of the prepayments at the lower interest rates then available. Unscheduled prepayments also would limit the potential for capital appreciation on mortgage-backed and asset-backed securities, thereby reducing the Portfolio's income.

Conversely, when interest rates rise, the values of mortgage-backed and asset-backed securities generally fall. Rising interest rates typically result in decreased prepayments and longer average lives of such securities. This could cause the value of such securities to be more volatile or decline more than other fixed-income securities, and may magnify the effect of the rate increase on the price of such securities.

Certain mortgage-backed securities are U.S. government securities. See *U.S. Government Securities Risk* for the risks of these types of securities. For non-U.S. government securities, there is the risk that payments on a security will not be made when due, or the value of such security will decline, because the security is not issued or guaranteed as to principal or interest by the U.S. government or by agencies or authorities controlled or supervised by and acting as instrumentalities of the U.S. government or supported by the right of the issuer to borrow from the U.S. government.

■ **Reinvestment Risk.** A decline in interest rates may cause issuers to prepay higher-yielding securities held by the Portfolio, resulting in the Portfolio reinvesting in securities with lower yields, which may cause a decline in its income.

■ **U.S. Government Securities Risk.** Certain U.S. government securities, such as U.S. Treasury (Treasury) securities and securities issued by the Government National Mortgage Association (Ginnie Mae), are backed by the full faith and credit of the U.S. government. Other U.S. government securities, such as securities issued by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Banks (FHLB), are not backed by the full faith and credit of the U.S. government and, instead, may be supported only by the credit of the issuer or by the right of the issuer to borrow from the Treasury.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

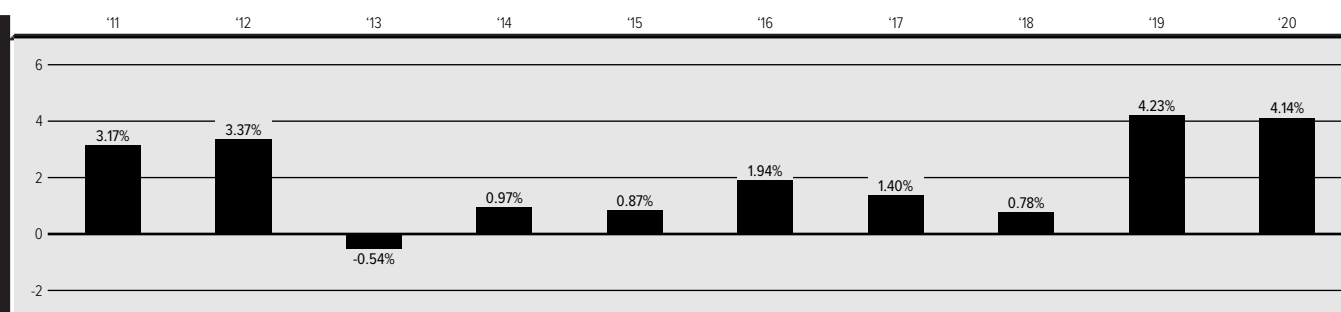
Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

Prior to April 30, 2012, the Portfolio's investment objective was to provide a high level of current income consistent with preservation of capital. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide current income consistent with preservation of capital.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

### Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 2.80% (the second quarter of 2020) and the lowest quarterly return was -1.67% (the second quarter of 2013).

### Average Annual Total Returns

as of December 31, 2020

|  | 1 Year       | 5 Years      | 10 Years     |
|--|--------------|--------------|--------------|
| <b>Class II</b>  | <u>4.14%</u> | <u>2.49%</u> | <u>2.02%</u> |
| <b>Indexes</b>   |              |              |              |
| Bloomberg Barclays 1-3 Year Gov/Credit Index (reflects no deduction for fees, expenses or taxes) | <u>3.33%</u> | <u>2.21%</u> | <u>1.60%</u> |
| Morningstar Short-Term Bond Category Average (net of fees and expenses)                          | <u>3.81%</u> | <u>2.68%</u> | <u>2.11%</u> |

## **Investment Adviser**

The Portfolio is managed by Ivy Investment Management Company (IICO).

## **Portfolio Manager**

Susan K. Regan, Senior Vice President of IICO, has managed the Portfolio since August 2014.

## **Purchase and Sale of Portfolio Shares**

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## **Tax Information**

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Global Equity Income

## Objective

To seek to provide total return through a combination of current income and capital appreciation.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |              |
|--|--------------|
| (fees paid directly from your investment)                                | N/A          |
| Annual Portfolio Operating Expenses                                      |              |
| (expenses that you pay each year as a % of the value of your investment) | Class II     |
| Management Fees  | 0.70%        |
| Distribution and Service (12b-1) Fees                                    | 0.25%        |
| Other Expenses   | <u>0.08%</u> |
| Total Annual Portfolio Operating Expenses                                | <u>1.03%</u> |

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year       | 3 Years      | 5 Years      | 10 Years       |
|----------|--------------|--------------|--------------|----------------|
| Class II | <u>\$105</u> | <u>\$328</u> | <u>\$569</u> | <u>\$1,259</u> |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 73% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Global Equity Income seeks to achieve its objective by investing in equity securities that are issued by companies of any size located largely in developed markets around the world, that Ivy Investment Management Company (IICO), the Portfolio's investment manager, believes will be able to generate a reasonable level of current income for investors given current market conditions, and that demonstrate favorable prospects for total return. The Portfolio focuses on companies that IICO believes have the ability to maintain and/or grow their dividends while providing capital appreciation over the long-term. The Portfolio typically holds a limited number of stocks (generally 40 to 55).

Under normal circumstances, the Portfolio invests at least 80% of its net assets in equity securities. For this purpose, such equity securities consist primarily of dividend-paying common stocks across the globe. Although the Portfolio invests primarily in large-capitalization companies (typically companies with market capitalizations of at least \$10 billion at the time of acquisition), it may invest in companies of any size.

Under normal circumstances, the Portfolio invests at least 40% (or, if IICO deems it warranted by market conditions, at least 30%) of its total assets in securities of non-U.S. issuers. The Portfolio may invest in U.S. and non-U.S. issuers, including issuers located in emerging market countries, and may invest up to 100% of its total assets in foreign securities.



In selecting securities for the Portfolio, IICO uses a company-specific stock selection process. IICO seeks to identify higher-quality companies that it believes are reasonably-valued, have a strong likelihood of maintaining and/or growing their dividend, and have a relatively stable to improving fundamental outlook, relative to market expectations. IICO considers an analysis of sectors/industries and geographical areas (when relevant) when determining the attractiveness of names and weightings of sectors, and to a lesser degree, countries. IICO also considers several other factors, including a company's history of fundamentals, ability to sustain its business model, growth potential, management proficiency and competitive environment. Part of IICO's process includes an initial screening of the investable universe based on key financial, valuation and technical criteria.

Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various additional foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

Generally, in determining whether to sell a security, IICO uses the same type of analysis that it uses in buying securities of that type. For example, IICO may sell a security if it believes the security no longer offers attractive current income prospects or significant growth potential, if it believes the management of the company has weakened, and/or there exists political or economic instability in the issuer's country. IICO also may sell a security to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Dividend-Paying Stock Risk.** Dividend-paying stocks may fall out of favor with investors and underperform non-dividend paying stocks and the market as a whole over any period of time. In addition, there is no guarantee that the companies in which the Portfolio invests will declare dividends in the future or that dividends, if declared, will remain at current levels or increase over time. The amount of any dividend a company may pay may fluctuate significantly. In addition, the value of dividend-paying common stocks can decline when interest rates rise as other investments become more attractive to investors. This risk may be greater due to the current period of historically low interest rates.
- **Emerging Market Risk.** Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets.
- **Financials Sector Risk.** Investment risks associated with investing in securities in the financials sector, in addition to other risks, include extensive governmental regulation and/or nationalization that affects the scope of their activities, the prices they can charge and the amount of capital they must maintain; adverse effects from increases in interest rates; effects on profitability by loan losses, which usually increase in economic downturns; the severe competition to which banks, insurance, and financial services companies may be subject; and increased interindustry consolidation and competition in the financials sector. The impact of more stringent capital requirements, recent or future regulation on any individual financial company or recent or future regulation on the financials economic sector as a whole cannot be predicted.
- **Foreign Currency Risk.** Foreign securities may be denominated in foreign currencies. The value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations. Currency markets generally are not as regulated as securities markets.
- **Foreign Exposure Risk.** The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.
- **Foreign Securities Risk.** Investing in foreign securities involves a number of economic, financial, legal and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance

unfavorably, depending upon the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. The risks may be exacerbated in connection with investments in emerging markets.

World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that the Portfolio holds material positions in such suspended securities, the Portfolio's ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

- **Holdings Risk.** The Portfolio typically holds a limited number of stocks (generally 40 to 55). As a result, the appreciation or depreciation of any one security held by the Portfolio may have a greater impact on the Portfolio's NAV than it would if the Portfolio invested in a larger number of securities.
- **Large Company Risk.** Large-capitalization companies may go in and out of favor based on market and economic conditions. Large-capitalization companies may be unable to respond quickly to new competitive challenges, such as changes in technology, and also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion. Although the securities of larger companies may be less volatile than those of companies with smaller market capitalizations, returns on investments in securities of large-capitalization companies could trail the returns on investments in securities of smaller companies.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

## Performance

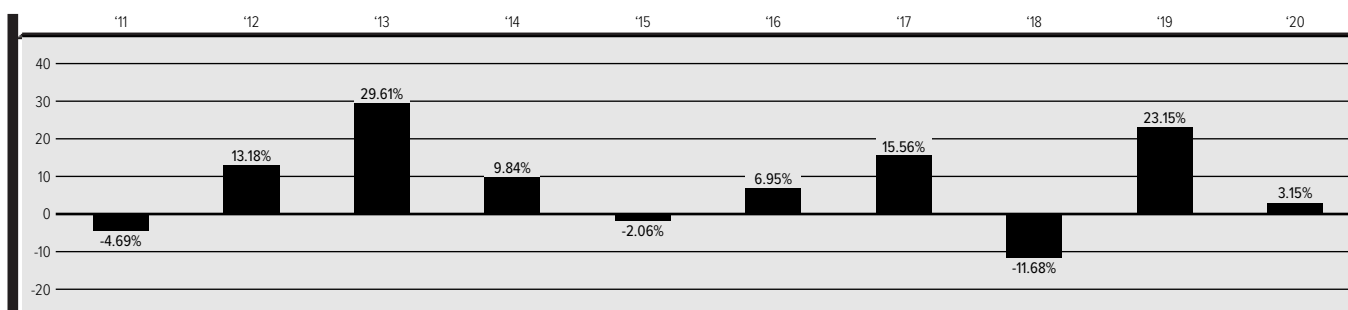
The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

Effective April 30, 2018, the name of the Portfolio changed from Ivy VIP Dividend Opportunities to Ivy VIP Global Equity Income, and the Portfolio changed its investment objective from seeking to provide total return to seeking to provide total return through a combination of current income and capital appreciation. The Portfolio also changed its investment strategy to invest primarily in equity securities that are issued by companies of any size located largely in developed markets around the world. The Portfolio's performance prior to April 30, 2018 reflects the Portfolio's former strategy; its performance may have differed if the Portfolio's current strategy had been in place.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

## Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 15.53% (the fourth quarter of 2020) and the lowest quarterly return was -24.82% (the first quarter of 2020).

## Average Annual Total Returns

as of December 31, 2020

|                 | 1 Year       | 5 Years      | 10 Years     |
|-----------------|--------------|--------------|--------------|
| <b>Class II</b> | <u>3.15%</u> | <u>6.76%</u> | <u>7.63%</u> |

## Indexes

|  |               |               |              |
|--|---------------|---------------|--------------|
| FTSE All-World High Dividend Yield Index (reflects no deduction for fees, expenses or taxes) | <u>-0.32%</u> | <u>7.04%</u>  | <u>5.81%</u> |
| Morningstar World Large Stock Category Average (net of fees and expenses)                    | <u>17.67%</u> | <u>11.48%</u> | <u>8.97%</u> |

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Managers

Christopher J. Parker, Senior Vice President of IICO, has managed the Portfolio since August 2014, and Robert E. Nightingale, Senior Vice President of IICO, has managed the Portfolio since April 2018.

## Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## Payments to Broker-Dealers and other Financial Intermediaries

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Global Growth

## Objective

To seek to provide growth of capital.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees  |          |
|---|----------|
| (fees paid directly from your investment)   | N/A      |
| Annual Portfolio Operating Expenses   |          |
| (expenses that you pay each year as a % of the value of your investment)                | Class II |
| Management Fees   | 0.85%    |
| Distribution and Service (12b-1) Fees   | 0.25%    |
| Other Expenses  | 0.13%    |
| Total Annual Portfolio Operating Expenses   | 1.23%    |
| Fee Waiver and/or Expense Reimbursement <sup>1</sup>                                    | 0.10%    |
| Total Annual Portfolio Operating Expenses After Fee Waiver and/or Expense Reimbursement | 1.13%    |

<sup>1</sup> Through April 30, 2022, Ivy Investment Management Company (IICO), the Portfolio's investment manager, Ivy Distributors, Inc. (IDI), the Portfolio's distributor, and/or Waddell & Reed Services Company, doing business as WI Services Company (WISC), the Portfolio's transfer agent, have contractually agreed to reimburse sufficient management fees, Rule 12b-1 fees and/or shareholder servicing fees to cap the total annual ordinary portfolio operating expenses (which would exclude interest, taxes, brokerage commissions, acquired fund fees and expenses and extraordinary expenses, if any) for Class II shares at 1.13%. Prior to that date, the expense limitation may not be terminated without the consent of the Board of Trustees (Board).

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year, that the Portfolio's operating expenses remain the same, and that expenses were capped for a one-year period, as indicated above. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$115  | \$380   | \$666   | \$1,480  |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 33% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Global Growth seeks to achieve its objective by investing primarily in common stocks of U.S. and foreign companies (including depositary receipts of foreign issuers) that IICO believes are competitively well-positioned, gaining market share, have the potential for long-term growth and/or operate in regions or countries that IICO believes possess attractive growth characteristics. The Portfolio primarily invests in issuers of developed countries, including the U.S., although the Portfolio has the ability to invest in issuers domiciled in or doing business in any country or region around the globe, including emerging markets. While the Portfolio primarily invests in securities issued by large-capitalization companies (typically, companies with market capitalizations of at least \$10 billion at the time of acquisition), it may

invest in securities issued by companies of any size, in a variety of sectors and industries. Under normal circumstances, the Portfolio invests at least 40% (or, if the portfolio manager deems it warranted by market conditions, at least 30%) of its total assets in foreign securities. The Portfolio may invest up to 100% of its total assets in foreign securities, including securities denominated in currencies other than the U.S. dollar. The Portfolio typically holds a limited number of stocks (generally 50 to 70).

IICO utilizes a research-based investment process that focuses on bottom-up (researching individual issuers) stock selection. IICO seeks strong companies that possess a unique, sustainable competitive advantage that IICO believes will allow them to withstand competitive pressures, sustain margins and cash flow, and grow faster than the general economy. IICO may look at a number of factors in selecting securities for the Portfolio, including: a company's competitive position and its sustainability; a company's growth and earnings potential and valuation; a company's financials, including cash flow and balance sheet; management of the company; strength of the industry; size of the company's total addressable market; margin trends; switching costs; control of distribution channels; brand equity; scale; patent protection; and applicable economic, market and political conditions of the country in which the company is located and/or in which it is doing business. As an overlay to its bottom-up analysis, IICO considers factors such as the geographical economic environment, the political environment, regulatory policy, geopolitical risk and currency risk.

Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

Generally, in determining whether to sell a security, IICO uses the same type of analysis that it uses in buying securities. For example, IICO may sell a security issued by a company if it believes the company has experienced a fundamental breakdown of its sustainable competitive advantage or no longer offers significant growth potential, if it believes the management of the company has weakened or its margin and/or its valuation appears unsustainable, if it believes there are macro-economic factors that override a company's fundamentals, and/or there exists political or economic instability in the issuer's country. IICO also may sell a security to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Depository Receipts Risk.** Investments in depository receipts (including American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts) generally are subject to the same risks of investing in the foreign securities that they evidence or into which they may be converted.
- **Emerging Market Risk.** Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets.
- **Foreign Currency Risk.** Foreign securities may be denominated in foreign currencies. The value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations. Currency markets generally are not as regulated as securities markets.
- **Foreign Exposure Risk.** The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.
- **Foreign Securities Risk.** Investing in foreign securities involves a number of economic, financial, legal and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending upon the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related



conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. The risks may be exacerbated in connection with investments in emerging markets.

World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that the Portfolio holds material positions in such suspended securities, the Portfolio's ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

- **Growth Stock Risk.** Prices of growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks. Growth stocks may be more volatile or not perform as well as value stocks or the stock market in general.
- **Holdings Risk.** The Portfolio typically holds a limited number of stocks (generally 50 to 70). As a result, the appreciation or depreciation of any one security held by the Portfolio may have a greater impact on the Portfolio's NAV than it would if the Portfolio invested in a larger number of securities.
- **Information Technology Sector Risk.** Investment risks associated with investing in the information technology sector, in addition to other risks, include the intense competition to which information technology companies may be subject; the dramatic and often unpredictable changes in growth rates and competition for qualified personnel among information technology companies; effects on profitability from being heavily dependent on patent and intellectual property rights and the loss or impairment of those rights; obsolescence of existing technology; general economic conditions; and government regulation.
- **Large Company Risk.** Large-capitalization companies may go in and out of favor based on market and economic conditions. Large-capitalization companies may be unable to respond quickly to new competitive challenges, such as changes in technology, and also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion. Although the securities of larger companies may be less volatile than those of companies with smaller market capitalizations, returns on investments in securities of large-capitalization companies could trail the returns on investments in securities of smaller companies.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Sector Risk.** At times, the Portfolio may have a significant portion of its assets invested in securities of companies conducting business in a broadly related group of industries within an economic sector. Individual sectors may be more volatile, and may perform differently, than the broader market. Companies in the same economic sector may be similarly affected by economic or market events, making the Portfolio more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.



Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

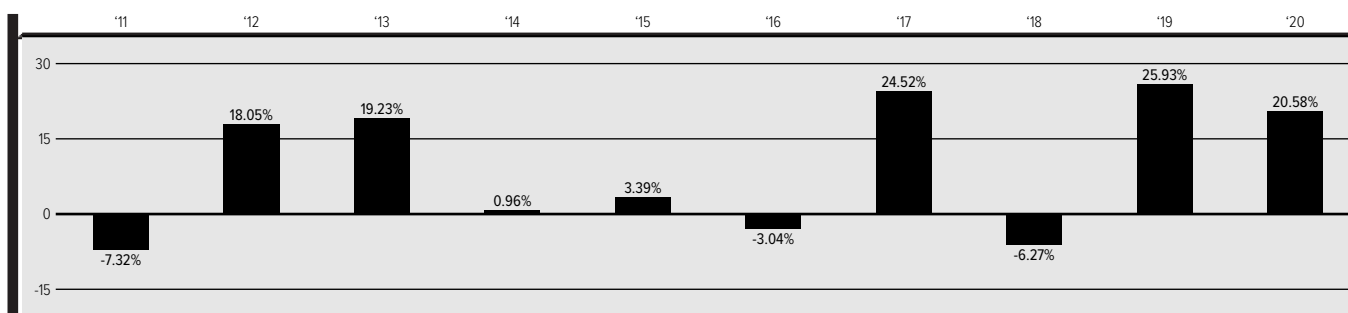
Prior to April 30, 2012, the Portfolio's investment objective was to provide, as its primary objective, long-term appreciation of capital and, as a secondary objective, to seek current income. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide growth of capital.

In November 2014, the Portfolio increased its emphasis on investments in the stocks of U.S. companies. Effective January 1, 2015, the Portfolio changed its name and investment strategy to reflect a global focus. Performance prior to January 2015 reflects the Portfolio's former international strategy, which did not include significant investments in U.S. companies, and may have differed if the Portfolio's current strategy that includes investing globally, including in stocks of U.S. companies, had been in place.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

#### Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 22.38% (the second quarter of 2020) and the lowest quarterly return was -20.55% (the first quarter of 2020).

#### Average Annual Total Returns

as of December 31, 2020

|   | 1 Year        | 5 Years       | 10 Years     |
|---|---------------|---------------|--------------|
| <b>Class II</b>   | <u>20.58%</u> | <u>11.44%</u> | <u>8.87%</u> |
| <b>Indexes</b>  |               |               |              |
| MSCI World Index (reflects no deduction for fees, expenses or taxes)      | <u>15.90%</u> | <u>12.19%</u> | <u>9.87%</u> |
| Morningstar World Large Stock Category Average (net of fees and expenses) | <u>17.67%</u> | <u>11.48%</u> | <u>8.97%</u> |

#### Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

#### Portfolio Manager

Sarah C. Ross, Senior Vice President of IICO, has managed the Portfolio since August 2014.

#### Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

#### Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP International Core Equity

## Objective

To seek to provide capital growth and appreciation.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |          |
|--|----------|
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| Management Fees  | 0.85%    |
| Distribution and Service (12b-1) Fees                                    | 0.25%    |
| Other Expenses   | 0.07%    |
| Total Annual Portfolio Operating Expenses                                | 1.17%    |

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$119  | \$372   | \$644   | \$1,420  |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 82% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP International Core Equity seeks to achieve its objective by investing, under normal circumstances, at least 80% of its net assets in equity securities. Such companies primarily will be located in, or principally traded in, developed European and Asian/Pacific Basin markets. In seeking to enhance potential return, the Portfolio also may invest in issuers located or doing business in emerging market countries, which generally will include the more developed of the emerging market countries. The Portfolio also may invest in depositary receipts of foreign issuers.

Ivy Investment Management Company (IICO), the Portfolio's investment manager, believes that there are often dislocations and valuation discrepancies in the international financial markets and, therefore, it seeks to find and invest in what it believes are mispriced countries, sectors, currencies and, ultimately, stocks with attractive valuations relative to their potential and to their global peer group. IICO uses a disciplined approach while looking for investment opportunities around the world, preferring what it believes are cash-generating and reasonably valued companies that are exposed to global investment themes which IICO believes will yield above-average returns. IICO combines a top-down (assessing the market environment), macro approach with a bottom-up (researching individual issuers) stock selection process, and uses a combination of country analysis, sector and industry dynamics, and individual stock selection.

As noted, IICO begins its investment process by establishing a top-down global macro view which is built by constantly assessing developments in global gross domestic product, business and product cycles, foreign exchange, relative valuations and politics around the world. It then overlays its long-term investment themes on top of the macro view in an effort to identify sectors, countries and currencies that IICO believes will benefit under its macro view. IICO next follows a bottom-up approach to its stock selection and evaluates individual companies based on various factors, including: free cash flow, sales growth, financial leverage, and return on invested capital along with various valuation metrics. IICO uses various data and screening services as part of its stock-selection process, primarily to assess return on invested capital and relative valuation.

Although the Portfolio primarily invests in securities issued by large-capitalization companies (typically, companies with capitalizations of at least \$10 billion at the time of acquisition), it may invest in securities issued by companies of any size. The Portfolio may invest up to 100% of its total assets in foreign securities. In an effort to manage foreign currency exposure, the Portfolio may use forward contracts to either increase or decrease exposure to a given currency.

Generally, in determining whether to sell a security, IICO uses the same type of analysis that it uses in buying securities of that type. For example, IICO may sell a security if it had a change in its top-down view, if it believes the security no longer offers significant return potential, if there exists political or economic instability in the issuer's country, if it believes the security is showing signs of deteriorating fundamentals, if there is weak cash flow to support shareholder returns, and/or if there is a change in IICO's macroeconomic perspective. IICO also may sell a security to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Depository Receipts Risk.** Investments in depository receipts (including American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts) generally are subject to the same risks of investing in the foreign securities that they evidence or into which they may be converted.
- **Derivatives Risk.** The use of derivatives presents several risks, including the risk that these instruments may change in value in a manner that adversely affects the Portfolio's NAV. Derivatives can be highly complex, can create investment leverage, may perform in unanticipated ways and may be highly volatile, and the Portfolio could lose more than the amount it invests. Derivatives may be difficult to value and, depending on the instrument, may at times be highly illiquid, and the Portfolio may not be able to close out or sell a derivative position at a particular time or at an anticipated price. Moreover, some derivatives are more sensitive to interest rate changes and market price fluctuations than others. To the extent the judgment of IICO as to certain anticipated price movements is incorrect, the risk of loss may be greater than if the derivative technique(s) had not been used. When used for hedging, the change in value of the derivative also may not correlate perfectly with the security or other risk being hedged. Suitable derivatives may not be available in all circumstances, and there can be no assurance that the Portfolio will use derivatives to reduce exposure to other risks when that might be beneficial. Derivatives also may be subject to counterparty credit risk, which includes the risk that the Portfolio may sustain a loss as a result of the insolvency or bankruptcy of, or other non-compliance with the terms in the agreement for the derivatives documentation by, another party to the transaction. When the Portfolio uses derivatives, it will provide margin or collateral bilaterally and/or segregate cash or other liquid assets in a manner that satisfies contractual undertakings and regulatory requirements. The need to provide margin or collateral and/or segregate assets could limit the Portfolio's ability to pursue other opportunities as they arise. Ongoing changes to regulation of the derivatives markets and potential changes in the regulation of funds using derivatives instruments could change the Portfolio's opportunities to pursue its investment strategies.
- **Emerging Market Risk.** Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets.
- **Foreign Currency Exchange Transactions and Forward Foreign Currency Contracts Risk.** The Portfolio may use foreign currency exchange transactions and forward foreign currency contracts to hedge certain market risks

(such as interest rates, currency exchange rates and broad or specific market movement). These investment techniques involve a number of risks, including the possibility of default by the counterparty to the transaction and, to the extent IICO's judgment as to certain market movements is incorrect, the risk of losses that are greater than if the investment technique had not been used.

- **Foreign Currency Risk.** Foreign securities may be denominated in foreign currencies. The value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations. Currency markets generally are not as regulated as securities markets.
- **Foreign Exposure Risk.** The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.
- **Foreign Securities Risk.** Investing in foreign securities involves a number of economic, financial, legal and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending upon the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. The risks may be exacerbated in connection with investments in emerging markets.  
World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that the Portfolio holds material positions in such suspended securities, the Portfolio's ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.
- **Large Company Risk.** Large-capitalization companies may go in and out of favor based on market and economic conditions. Large-capitalization companies may be unable to respond quickly to new competitive challenges, such as changes in technology, and also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion. Although the securities of larger companies may be less volatile than those of companies with smaller market capitalizations, returns on investments in securities of large-capitalization companies could trail the returns on investments in securities of smaller companies.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Regional Focus Risk.** Focusing on a particular geographical region or country involves increased currency, political, regulatory and other risks. To the extent the Portfolio invests a significant portion of its assets in a particular geographical region or country, economic, political, social and environmental conditions in that region or country will have a greater effect on Portfolio performance than they would in a more geographically diversified equity fund and the Portfolio's performance may be more volatile than the performance of a more geographically diversified fund. See *Market Risk*.
- **Theme Risk.** Because the Portfolio's investment strategy incorporates the identification of themes, the Portfolio's performance may suffer if IICO does not correctly identify such themes or if a theme develops in an unanticipated way.

■ **Value Stock Risk.** Value stocks are stocks of companies that may have experienced adverse business or industry developments or may be subject to special risks that have caused the stocks to be out of favor and, in the opinion of IICO, undervalued. The value of a security believed by IICO to be undervalued may never reach what is believed to be its full value; such security's value may decrease or such security may be appropriately priced.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

■ Prior to April 30, 2012, the Portfolio's investment objective was to seek long-term capital growth. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide capital growth and appreciation.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

### Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 18.20% (the second quarter of 2020) and the lowest quarterly return was -24.54% (the first quarter of 2020).

### Average Annual Total Returns

| as of December 31, <u>2020</u>  | 1 Year       | 5 Years      | 10 Years     |
|---|--------------|--------------|--------------|
| ■ <b>Class II</b>   | <u>7.19%</u> | <u>5.41%</u> | <u>4.78%</u> |
| <b>Indexes</b>  |              |              |              |
| ■ MSCI EAFE Index (reflects no deduction for fees, expenses or taxes)         | <u>7.82%</u> | <u>7.45%</u> | <u>5.51%</u> |
| ■ Morningstar Foreign Large Blend Category Average (net of fees and expenses) | <u>9.30%</u> | <u>7.57%</u> | <u>5.33%</u> |

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Managers

John C. Maxwell, Senior Vice President of IICO, has managed the Portfolio since May 2009, and Catherine L. Murray, Senior Vice President of IICO, has managed the Portfolio since January 2017.

## Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.



## **Tax Information**

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Asset Strategy

## Objective

To seek to provide total return.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |              |                     |
|--|--------------|---------------------|
| (fees paid directly from your investment)  |              | N/A                 |
| Annual Portfolio Operating Expenses  |              |                     |
| (expenses that you pay each year as a % of the value of your investment)                       |              | Class I    Class II |
| Management Fees  | 0.70%        | 0.70%               |
| Distribution and Service (12b-1) Fees  | 0.00%        | 0.25%               |
| Other Expenses <sup>1</sup>  | 0.07%        | 0.07%               |
| <b>Total Annual Portfolio Operating Expenses</b>   | <b>0.77%</b> | <b>1.02%</b>        |
| <b>Fee Waiver and/or Expense Reimbursement<sup>2,3</sup></b>                                   | <b>0.15%</b> | <b>0.15%</b>        |
| <b>Total Annual Portfolio Operating Expenses After Fee Waiver and/or Expense Reimbursement</b> | <b>0.62%</b> | <b>0.87%</b>        |

<sup>1</sup> Other Expenses includes the expenses of Ivy VIP ASF II, Ltd., a wholly-owned subsidiary of the Portfolio organized in the Cayman Islands.

<sup>2</sup> Through April 30, 2022, Ivy Investment Management Company (IICO), the Portfolio's investment manager, has contractually agreed to reduce the management fees paid by the Portfolio by an annual rate of 0.15% of average daily net assets. Prior to that date, the reduction may not be terminated without the consent of the Board of Trustees (Board).

<sup>3</sup> Through April 30, 2022, Ivy Distributors, Inc. (IDI), the Portfolio's distributor, and/or Waddell & Reed Services Company (doing business as WI Services Company (WISC)), the Portfolio's transfer agent, have contractually agreed to reimburse sufficient fees to ensure that the total annual ordinary portfolio operating expenses (which would exclude interest, taxes, brokerage commissions, acquired fund fees and expenses and extraordinary expenses, if any) of the Class I shares are at all times equal to the total annual ordinary portfolio operating expenses of the Class II shares less 0.25%, as calculated at the end of each month. Prior to that date, the expense limitation may not be terminated without the consent of the Board.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the particular class of shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class I  | \$63   | \$231   | \$413   | \$940    |
| Class II | \$89   | \$310   | \$549   | \$1,234  |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 44% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Asset Strategy seeks to achieve its objective by allocating its assets among different asset classes of varying correlation around the globe. Ivy Investment Management Company (IICO), the Portfolio's investment manager, begins its investment process by investing a portion of the Portfolio's assets in global equity securities that IICO believes can outperform the Portfolio's benchmark index, the MSCI ACWI Index, over a full market cycle (the Equity Sleeve). IICO

then invests the Portfolio's remaining assets in various additional asset classes, including global fixed-income securities, United States Treasury (Treasury) instruments, precious metals, commodities and cash (the Diversifying Sleeve), which seek to provide returns to the Portfolio while having less correlation to the Equity Sleeve. IICO may allocate the Portfolio's investments among these different asset classes in different proportions at different times, but generally seeks to invest ~~55%-65%~~ of the Portfolio's total assets (with a long-term target of approximately ~~60%~~) in the Equity Sleeve and ~~35%-45%~~ of the Portfolio's total assets (with a long-term target of approximately ~~40%~~) in the Diversifying Sleeve.

In selecting securities for the Portfolio, IICO primarily emphasizes a bottom-up (researching individual issuers) approach and seeks to find relative value across the asset classes noted above. Part of IICO's investment process also includes a top-down (assessing the market and economic environment) analysis.

With respect to the Equity Sleeve, IICO seeks what it believes are well-positioned companies with a strong and/or growing sustainable competitive advantage in attractive industries across the globe which IICO believes can exceed current earnings estimates. IICO looks for companies that are taking market share within their industries, which results in high levels of cash flow, as well as stable to improving margins and returns. IICO generally focuses on companies that are growing, innovating, improving margins, returning capital through dividend growth or share buybacks and/or offering what IICO believes to be sustainable high free cash flow.

Within the Equity Sleeve, the Portfolio has the flexibility to invest in both growth and value companies. Although the Portfolio primarily invests in securities issued by large-capitalization companies (typically, companies with market capitalizations of at least \$10 billion at the time of acquisition), it may invest in securities issued by companies of any size. The Equity Sleeve typically holds a limited number of stocks (generally 50 to 70).

Within the Diversifying Sleeve, the Portfolio has the flexibility to invest in a wide range of assets that, in IICO's view, present attractive risk-adjusted returns as compared to the Equity Sleeve, and/or reduce the Portfolio's overall risk profile because such assets have less correlation to the assets within the Equity Sleeve. Diversifying assets may be comprised of global fixed-income instruments, including investment-grade and high-yield bonds, as well as emerging market, corporate and sovereign bonds, although IICO anticipates that a majority of the assets within the Diversifying Sleeve will consist of investment-grade securities. As noted, such fixed-income instruments may include high-yield/high-risk bonds, or junk bonds, which include bonds rated BB+ or below by S&P Global Ratings, a division of S&P Global, Inc. (S&P), or comparably rated by another nationally recognized statistical rating organization (NRSRO) or, if unrated, determined by IICO to be of comparable quality; although IICO anticipates that investments in junk bonds will be minimal within the Diversifying Sleeve, and, in no event, will such investments exceed 10% of the Portfolio's total assets. When selecting these instruments, IICO focuses heavily on free cash flow and an issuer's ability to delever itself through the credit cycle. The Portfolio also can invest in government securities issued by the Treasury (such as Treasury bills, notes or bonds), obligations issued or guaranteed as to principal and interest (but not as to market value) by the U.S. government, its agencies or instrumentalities, and mortgage-backed securities issued or guaranteed by government agencies or government-sponsored enterprises, as well as Treasury inflation-protected securities (TIPs), and cash.

Within each of the Equity Sleeve and the Diversifying Sleeve, the Portfolio may invest in U.S. and foreign securities. The Equity Sleeve of the Portfolio generally will invest at least 30% of its assets, and may invest up to 75%, in foreign securities and in securities denominated in currencies other than the U.S. dollar, including issuers located in and/or generating revenue from emerging markets. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

IICO may allocate the Portfolio's investments among the different types of assets noted above in different proportions at different times (keeping in mind the general percentages noted above) and may exercise a flexible strategy in selecting investments. IICO does not intend to concentrate the Portfolio in any geographical region or industry sector; however, it is not limited by investment style or by the issuer's location or industry sector.

Subject to diversification limits, the Portfolio also may invest up to 10% of its total assets at the time of investment in precious metals. The Portfolio gains exposure to commodities, including precious metals, derivatives and commodity-linked instruments, by investing in a subsidiary organized in the Cayman Islands (Subsidiary). The Subsidiary is wholly-owned and controlled by the Portfolio. The Portfolio's investment in the Subsidiary is expected to provide the Portfolio with exposure to investment returns from commodities, derivatives and commodity-linked instruments within the limits of the federal tax requirements applicable to regulated investment companies, such as the Portfolio.

Generally, in determining whether to sell a security within the Equity Sleeve, IICO considers many factors, which may include a deterioration in a company's fundamentals caused by global-specific factors such as geo-political landscape changes, regulatory or currency changes, or increased competition, as well as company-specific factors, such as reduced pricing power, diminished market opportunity, or increased competition. IICO also may sell a security if the price of the

security reaches what IICO believes is fair value, to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities, or to raise cash. Within the Diversifying Sleeve, IICO generally sells assets when, in IICO's view, such assets no longer have the ability to provide equity-like returns or no longer provide the desired portfolio diversification.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Commodities Risk.** Commodity trading, including trading in precious metals, generally is considered speculative because of the significant potential for investment loss. Among the factors that could affect the value of the Portfolio's investments in commodities are resource availability, commodity price volatility, speculation in the commodities markets, cyclical economic conditions, sudden political events and adverse international monetary policies. Markets for commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. Also, the Portfolio may pay more to store and accurately value its commodity holdings than it does with its other portfolio investments. Moreover, under the federal tax law, the Portfolio may not derive more than 10% of its annual gross income from gains (without regard to losses) resulting from selling or otherwise disposing of commodities (and other "non-qualifying" income). Accordingly, the Portfolio may be required to hold its commodities or to sell them at a loss, or to sell portfolio securities at a gain, when for investment reasons it would not otherwise do so.
- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Credit Risk.** An issuer of a fixed-income obligation may not make payments on the obligation when due or may default on its obligation. There also is the risk that an issuer could suffer adverse changes in its financial condition that could lower the credit quality of a security. This could lead to greater volatility in the price of the security, could affect the security's liquidity, and could make it more difficult to sell. A downgrade or default affecting any of the Portfolio's securities could affect the Portfolio's performance. In general, the longer the maturity and the lower the credit quality of a bond, the more sensitive it is to credit risk.
- **Emerging Market Risk.** Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets.
- **Foreign Currency Risk.** Foreign securities may be denominated in foreign currencies. The value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations. Currency markets generally are not as regulated as securities markets.
- **Foreign Exposure Risk.** The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.
- **Foreign Securities Risk.** Investing in foreign securities involves a number of economic, financial, legal and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending upon the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. The risks may be exacerbated in connection with investments in emerging markets.

World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher

for securities of issuers in emerging markets than in more developed markets. In the event that the Portfolio holds material positions in such suspended securities, the Portfolio's ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

- **Growth Stock Risk.** Prices of growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks. Growth stocks may be more volatile or not perform as well as value stocks or the stock market in general.
- **Holdings Risk.** The Portfolio typically holds a limited number of stocks (generally 50 to 70). As a result, the appreciation or depreciation of any one security held by the Portfolio may have a greater impact on the Portfolio's NAV than it would if the Portfolio invested in a larger number of securities.
- **Interest Rate Risk.** A rise in interest rates may cause a decline in the value of the Portfolio's securities, especially securities with longer maturities. Typically, the longer the maturity or duration of a debt security, the greater the effect a change in interest rates could have on the security's price. Thus, the sensitivity of the Portfolio's debt securities to interest rate risk will increase with any increase in the duration of those securities. A decline in interest rates may cause the Portfolio to experience a decline in its income. Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. The Portfolio may be subject to heightened interest rate risk as a result of a rise or anticipated rise in interest rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.
- **Large Company Risk.** Large-capitalization companies may go in and out of favor based on market and economic conditions. Large-capitalization companies may be unable to respond quickly to new competitive challenges, such as changes in technology, and also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion. Although the securities of larger companies may be less volatile than those of companies with smaller market capitalizations, returns on investments in securities of large-capitalization companies could trail the returns on investments in securities of smaller companies.
- **Liquidity Risk.** Liquidity generally is related to the market trading volume for a particular security. Securities that have relatively less liquidity may trade at a discount from comparable, more liquid investments, and may be subject to wider fluctuations in market value. Such securities may be more difficult to dispose of at their recorded values and are subject to increased spreads and volatility. Also, the Portfolio may not be able to dispose of illiquid, or relatively less liquid, securities when that would be beneficial at a favorable time or price. Certain investments that generally were liquid when the Portfolio purchased them may become relatively less liquid, or even deemed illiquid, sometimes abruptly.
- **Low-Rated Securities Risk.** In general, low-rated debt securities (commonly referred to as "high-yield" or "junk" bonds) offer higher yields due to the increased risk that the issuer will be unable to meet its obligations on interest or principal payments at the time called for by the debt instrument. For this reason, these securities are considered speculative and could significantly weaken the Portfolio's returns. In adverse economic or other circumstances, issuers of these low-rated securities and obligations are more likely to have difficulty making principal and interest payments than issuers of higher-rated securities and obligations. In addition, these low-rated securities and obligations may fluctuate more widely in price and yield than higher-rated securities and obligations and may fall in price during times when the economy is weak or is expected to become weak. Issuers of securities that are in default or have defaulted may fail to resume principal or interest payments, in which case the Portfolio may lose its entire investment. The creditworthiness of issuers of low-rated securities may be more complex to analyze than that of issuers of investment-grade debt securities.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Mortgage-Backed and Asset-Backed Securities Risk.** Mortgage-backed and asset-backed securities are subject to prepayment risk and extension risk. When interest rates decline, unscheduled prepayments can be expected to



accelerate, shortening the average lives of such securities, and the Portfolio may be required to reinvest the proceeds of the prepayments at the lower interest rates then available. Unscheduled prepayments also would limit the potential for capital appreciation on mortgage-backed and asset-backed securities, thereby reducing the Portfolio's income. Conversely, when interest rates rise, the values of mortgage-backed and asset-backed securities generally fall. Rising interest rates typically result in decreased prepayments and longer average lives of such securities. This could cause the value of such securities to be more volatile or decline more than other fixed-income securities, and may magnify the effect of the rate increase on the price of such securities.

Certain mortgage-backed securities are U.S. government securities. See *U.S. Government Securities Risk* for the risks of these types of securities. For non-U.S. government securities, there is the risk that payments on a security will not be made when due, or the value of such security will decline, because the security is not issued or guaranteed as to principal or interest by the U.S. government or by agencies or authorities controlled or supervised by and acting as instrumentalities of the U.S. government or supported by the right of the issuer to borrow from the U.S. government.

- **Subsidiary Investment Risk.** By investing in the Subsidiary, the Portfolio is exposed to the risks associated with the Subsidiary's investments. The Subsidiary is not registered under the Investment Company Act of 1940, as amended (1940 Act), and is not subject to all of the investor protections of the 1940 Act. Thus, the Portfolio, as an investor in the Subsidiary, would not have all of the protections offered to investors in registered investment companies. However, because the Portfolio wholly owns and controls the Subsidiary, and the Portfolio and Subsidiary are managed by IICO, it is unlikely that the Subsidiary would take action contrary to the interests of the Portfolio or the Portfolio's shareholders. In addition, changes in the laws of the U.S. and/or the Cayman Islands, under which the Portfolio and the Subsidiary are organized, respectively, could result in the inability of the Portfolio and/or the Subsidiary to operate as intended and could negatively affect the Portfolio and its shareholders. Although, under the federal tax law, the Portfolio may not derive more than 10% of its annual gross income from gains resulting from selling or otherwise disposing of commodities (and other "non-qualifying" income), the Portfolio has received an opinion of counsel, which is not binding on the Internal Revenue Service (IRS) or the courts, that income the Portfolio receives from the Subsidiary should constitute "qualifying" income.

- **U.S. Government Securities Risk.** Certain U.S. government securities, such as U.S. Treasury (Treasury) securities and securities issued by the Government National Mortgage Association (Ginnie Mae), are backed by the full faith and credit of the U.S. government. Other U.S. government securities, such as securities issued by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Banks (FHLB), are not backed by the full faith and credit of the U.S. government and, instead, may be supported only by the credit of the issuer or by the right of the issuer to borrow from the Treasury.

- **Value Stock Risk.** Value stocks are stocks of companies that may have experienced adverse business or industry developments or may be subject to special risks that have caused the stocks to be out of favor and, in the opinion of IICO, undervalued. The value of a security believed by IICO to be undervalued may never reach what is believed to be its full value; such security's value may decrease or such security may be appropriately priced.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for each class of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

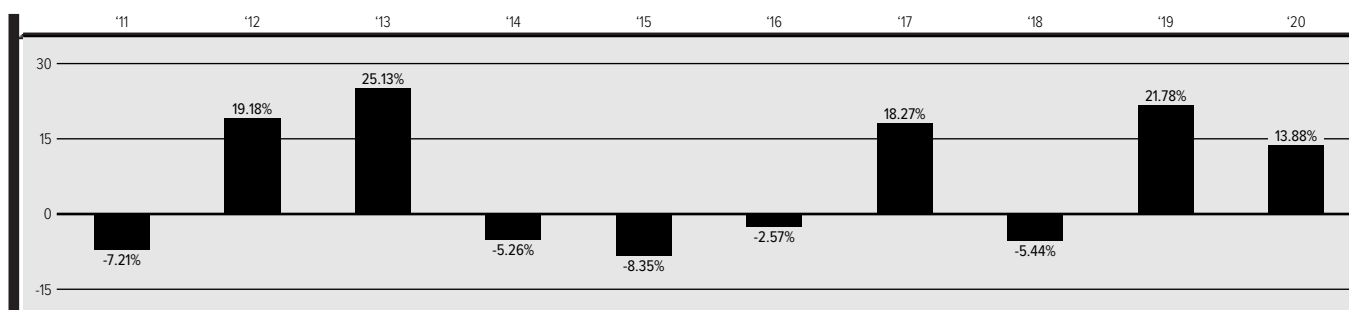
Prior to April 30, 2012, the Portfolio's investment objective was to seek high total return over the long term. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide total return.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.



## Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 17.70% (the second quarter of 2020) and the lowest quarterly return was -19.16% (the first quarter of 2020).

## Average Annual Total Returns

| as of December 31, <u>2020</u>   | 1 Year        | 5 Years       | 10 Years<br>(or Life of<br>Class) |
|--|---------------|---------------|-----------------------------------|
| <b>Class I (began on 4-28-2017)</b>                                      | <u>14.16%</u> | N/A           | <u>11.02%</u>                     |
| <b>Class II</b>  | <u>13.88%</u> | <u>8.61%</u>  | <u>6.15%</u>                      |
| <b>Indexes</b>   |               |               |                                   |
| MSCI ACWI Index (reflects no deduction for fees, expenses or taxes)      | <u>16.26%</u> | <u>12.26%</u> | <u>9.13%</u>                      |
| Morningstar World Allocation Category Average (net of fees and expenses) | <u>6.18%</u>  | <u>7.01%</u>  | <u>5.54%</u>                      |

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Managers

F. Chace Brundige, Senior Vice President of IICO, has managed the Portfolio since August 2014, and W. Jeffery Surles, Senior Vice President of IICO, has managed the Portfolio since February 2018.

## Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies. Class I shares may be purchased only through fund of funds, advisory or trust accounts, wrap accounts or other asset allocation or fee-based investment arrangements.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## Payments to Broker-Dealers and other Financial Intermediaries

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Balanced

## Objective

To seek to provide total return through a combination of capital appreciation and current income.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |          |
|--|----------|
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| Management Fees  | 0.70%    |
| Distribution and Service (12b-1) Fees                                    | 0.25%    |
| Other Expenses   | 0.07%    |
| Acquired Fund Fees and Expenses <sup>1</sup>                             | 0.01%    |
| Total Annual Portfolio Operating Expenses <sup>2</sup>                   | 1.03%    |

<sup>1</sup> Acquired Fund Fees and Expenses sets forth the Portfolio's pro rata portion of the cumulative expenses charged by the registered investment companies (RICs) in which the Portfolio invested during the last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of the RICs for the RICs' most recent fiscal period. These expenses are not direct costs paid by Portfolio shareholders, and are not used to calculate the Portfolio's NAV.

<sup>2</sup> The Total Annual Portfolio Operating Expenses ratio shown above does not correlate to the expense ratio shown in the Financial Highlights table because that ratio does not include the Acquired Fund Fees and Expenses.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$105  | \$328   | \$569   | \$1,259  |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions and/or spreads between bid and asked prices, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 61% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Balanced seeks to achieve its objective by investing primarily in a diversified mix of stocks, debt securities and short-term instruments, depending on market conditions. Regarding its equity investments, the Portfolio invests primarily in medium to large, well-established companies, most of which pay a regular dividend, although it may invest in securities issued by companies of any size. The Portfolio invests at least 50% of its total assets in equity securities. The equity portion of the Portfolio typically will include a limited number of stocks (generally 45 to 55), with the objective of providing potential capital appreciation and some dividend income. The Portfolio may invest in preferred stocks.

In addition, the Portfolio invests at least 30% of its total assets in debt securities with the objective of providing income and relative stability of capital. The majority of the Portfolio's debt securities are either U.S. government securities or investment-grade corporate bonds rated BBB- or higher by S&P Global Ratings, a division of S&P Global, Inc. (S&P), or comparably rated by another nationally recognized statistical rating organization (NRSRO) or, if unrated, determined by Ivy Investment Management Company (IICO), the Portfolio's investment manager, to be of comparable quality. The Portfolio may invest up to 20% of its total assets in non-investment-grade debt securities. The Portfolio has no limitations on the range of maturities of the debt securities in which it may invest.

In evaluating investments for the Portfolio, IICO focuses on companies with resilient business models characterized by stable growth rates; strong balance sheets; relative strength in earnings; attractive return profiles and valuation; and strong free cash flow generation. In so doing, IICO evaluates a company's management team, its financial position, its competitive position and the condition of its respective industry in addition to other factors. IICO utilizes financial statements, independent research by its investment management personnel, third party research, brand studies done by outside parties and other tools and processes to identify what it believes to be attractive investment opportunities with a focus on the trajectory and sustainability of a company's business model. IICO also focuses on companies that possess a sustainable competitive advantage by evaluating factors such as brand equity/loyalty, proprietary technology, switching costs, access to distribution channels, capital requirements, economies of scale, and barriers to entry. In addition, IICO's analysis informs its view of an appropriate valuation for each potential investment.

Investment opportunities typically fall into two categories: company-specific ideas which include factors such as a company's competitive positioning, production cycles, cost restructuring or a new management team; and thematic ideas where IICO considers economic or political forces, interest rate term structure variances, cyclical inflections, changes in consumer behavior or technology shifts. In selecting equity securities for the Portfolio, IICO begins its investment process by screening companies based on profitability, and then focuses on capital appreciation and some dividend income and follows a growth at a reasonable price investing strategy. In selecting debt securities for the Portfolio, IICO focuses on current income and capital preservation and generally seeks to invest in investment-grade securities.

The Portfolio may invest up to 25% of its total assets in foreign securities, including equity and fixed-income securities. Additionally, many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

Generally, in determining whether to sell a security, IICO uses the same analysis as identified above in order to determine if the security is appropriately valued or has met its anticipated price. IICO also may sell a security if the security ceases to produce income, to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Credit Risk.** An issuer of a fixed-income obligation may not make payments on the obligation when due or may default on its obligation. There also is the risk that an issuer could suffer adverse changes in its financial condition that could lower the credit quality of a security. This could lead to greater volatility in the price of the security, could affect the security's liquidity, and could make it more difficult to sell. A downgrade or default affecting any of the Portfolio's securities could affect the Portfolio's performance. In general, the longer the maturity and the lower the credit quality of a bond, the more sensitive it is to credit risk.
- **Dividend-Paying Stock Risk.** Dividend-paying stocks may fall out of favor with investors and underperform non-dividend paying stocks and the market as a whole over any period of time. In addition, there is no guarantee that the companies in which the Portfolio invests will declare dividends in the future or that dividends, if declared, will remain at current levels or increase over time. The amount of any dividend a company may pay may fluctuate significantly. In addition, the value of dividend-paying common stocks can decline when interest rates rise as other investments become more attractive to investors. This risk may be greater due to the current period of historically low interest rates.
- **Fixed-Income Market Risk.** The prices of the Portfolio's fixed-income securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers. Generally, the Portfolio's fixed-income securities will decrease in value if interest rates rise and vice versa. In a low interest rate environment, risks associated with rising rates are heightened. Rising interest rates tend to decrease

liquidity, increase trading costs and increase volatility, all of which may make portfolio management more difficult and costly to the Portfolio and its shareholders. In the case of foreign securities, price fluctuations will reflect international economic and political events, as well as changes in currency valuations relative to the U.S. dollar. Other factors may materially and adversely affect the market price and yield of such fixed-income securities, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

■ **Foreign Exposure Risk.** The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.

■ **Foreign Securities Risk.** Investing in foreign securities involves a number of economic, financial, legal and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending upon the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. The risks may be exacerbated in connection with investments in emerging markets.

World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that the Portfolio holds material positions in such suspended securities, the Portfolio's ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

■ **Growth Stock Risk.** Prices of growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks. Growth stocks may be more volatile or not perform as well as value stocks or the stock market in general.

■ **Holdings Risk.** The Portfolio typically holds a limited number of stocks (generally 45 to 55). As a result, the appreciation or depreciation of any one security held by the Portfolio may have a greater impact on the Portfolio's NAV than it would if the Portfolio invested in a larger number of securities.

■ **Interest Rate Risk.** A rise in interest rates may cause a decline in the value of the Portfolio's securities, especially securities with longer maturities. Typically, the longer the maturity or duration of a debt security, the greater the effect a change in interest rates could have on the security's price. Thus, the sensitivity of the Portfolio's debt securities to interest rate risk will increase with any increase in the duration of those securities. A decline in interest rates may cause the Portfolio to experience a decline in its income. Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. The Portfolio may be subject to heightened interest rate risk as a result of a rise or anticipated rise in interest rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.

■ **Large Company Risk.** Large-capitalization companies may go in and out of favor based on market and economic conditions. Large-capitalization companies may be unable to respond quickly to new competitive challenges, such as changes in technology, and also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion. Although the securities of larger companies may be less volatile than those of companies with smaller market capitalizations, returns on investments in securities of large-capitalization companies could trail the returns on investments in securities of smaller companies.

■ **Low-Rated Securities Risk.** In general, low-rated debt securities (commonly referred to as "high-yield" or "junk" bonds) offer higher yields due to the increased risk that the issuer will be unable to meet its obligations on interest or principal payments at the time called for by the debt instrument. For this reason, these securities are considered speculative and could significantly weaken the Portfolio's returns. In adverse economic or other circumstances, issuers of these low-rated securities and obligations are more likely to have difficulty making principal and interest payments than issuers of higher-rated securities and obligations. In addition, these low-rated securities and obligations may fluctuate more widely in price and yield than higher-rated securities and obligations and may fall in price during times when the economy is weak or is expected to become weak. Issuers of securities that are in default or have defaulted may fail to resume principal or interest payments, in which case the Portfolio may lose its entire investment. The creditworthiness of issuers of low-rated securities may be more complex to analyze than that of issuers of investment-grade debt securities.

- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Mid-Size Company Risk.** Securities of mid-capitalization companies may be more vulnerable to adverse developments than those of larger companies due to such companies' limited product lines, limited markets and financial resources and dependence upon a relatively small management group. Securities of mid-capitalization companies may be more volatile and less liquid than the securities of larger companies, and may be affected to a greater extent than other types of securities by the underperformance of a sector or during market downturns.
- **Preferred Stock Risk.** Preferred stock is subject to issuer-specific and market risks applicable generally to equity securities. In addition, a company's preferred securities generally pay dividends only after the company makes required payments to holders of its bonds and other debt. Preferred stock also is subject to credit risk with regard to the ability of the issuer to pay the dividend established upon issuance of the preferred stock.
- **Reinvestment Risk.** A decline in interest rates may cause issuers to prepay higher-yielding securities held by the Portfolio, resulting in the Portfolio reinvesting in securities with lower yields, which may cause a decline in its income.
- **U.S. Government Securities Risk.** Certain U.S. government securities, such as U.S. Treasury (Treasury) securities and securities issued by the Government National Mortgage Association (Ginnie Mae), are backed by the full faith and credit of the U.S. government. Other U.S. government securities, such as securities issued by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal Home Loan Banks (FHLB), are not backed by the full faith and credit of the U.S. government and, instead, may be supported only by the credit of the issuer or by the right of the issuer to borrow from the Treasury.
- **Value Stock Risk.** Value stocks are stocks of companies that may have experienced adverse business or industry developments or may be subject to special risks that have caused the stocks to be out of favor and, in the opinion of IICO, undervalued. The value of a security believed by IICO to be undervalued may never reach what is believed to be its full value; such security's value may decrease or such security may be appropriately priced.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of two broad-based securities market indexes and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

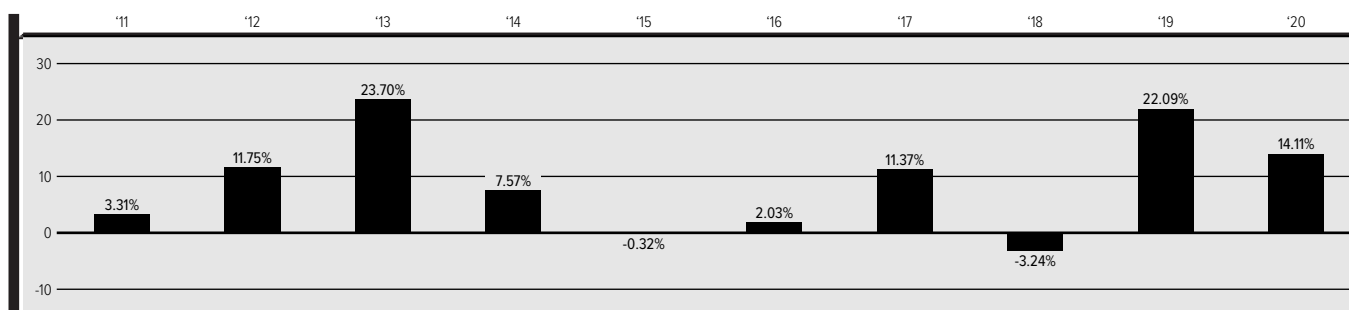
Prior to April 30, 2012, the Portfolio's investment objective was to seek to provide current income and, as a secondary objective, to seek long-term appreciation of capital. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide total return through a combination of capital appreciation and current income.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.



## Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 15.52% (the second quarter of 2020) and the lowest quarterly return was -16.23% (the first quarter of 2020).

## Average Annual Total Returns

as of December 31, 2020

|  | 1 Year        | 5 Years       | 10 Years      |
|--|---------------|---------------|---------------|
| <b>Class II</b>  | <u>14.11%</u> | <u>8.90%</u>  | <u>8.90%</u>  |
| <b>Indexes</b>   |               |               |               |
| S&P 500 Index (reflects no deduction for fees, expenses or taxes)                                | <u>18.40%</u> | <u>15.22%</u> | <u>13.88%</u> |
| Bloomberg Barclays U.S. Agg Gov/Credit Index (reflects no deduction for fees, expenses or taxes) | <u>8.92%</u>  | <u>4.98%</u>  | <u>4.19%</u>  |
| Morningstar Allocation--50% to 70% Equity Category Average (net of fees and expenses)            | <u>11.72%</u> | <u>8.99%</u>  | 7.90%         |

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Managers

Matthew A. Hekman, Senior Vice President of IICO, has managed the Portfolio since August 2014, and Mark G. Beischel, Senior Vice President of IICO, and Susan K. Regan, Senior Vice President of IICO, have managed the Portfolio since April 2018.

## Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## Payments to Broker-Dealers and other Financial Intermediaries

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.



# Ivy VIP Energy

## Objective

To seek to provide capital growth and appreciation.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |       |                     |
|--|-------|---------------------|
| (fees paid directly from your investment)                                |       | N/A                 |
| Annual Portfolio Operating Expenses                                      |       |                     |
| (expenses that you pay each year as a % of the value of your investment) |       | Class I    Class II |
| Management Fees  | 0.85% | 0.85%               |
| Distribution and Service (12b-1) Fees                                    | 0.00% | 0.25%               |
| Other Expenses   | 0.27% | 0.27%               |
| Acquired Fund Fees and Expenses <sup>1</sup>                             | 0.01% | 0.01%               |
| Total Annual Portfolio Operating Expenses <sup>2,3</sup>                 | 1.13% | 1.38%               |

<sup>1</sup> Acquired Fund Fees and Expenses sets forth the Portfolio's pro rata portion of the cumulative expenses charged by the registered investment company (RIC) in which the Portfolio invested during the last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of the RIC for the RIC's most recent fiscal period. These expenses are not direct costs paid by Portfolio shareholders, and are not used to calculate the Portfolio's NAV.

<sup>2</sup> Through April 30, 2022, Ivy Distributors, Inc. (IDI), the Portfolio's distributor, and/or Waddell & Reed Services Company (doing business as WI Services Company (WISC)), the Portfolio's transfer agent, have contractually agreed to reimburse sufficient fees to ensure that the total annual ordinary portfolio operating expenses (which would exclude interest, taxes, brokerage commissions, acquired fund fees and expenses and extraordinary expenses, if any) of the Class I shares are at all times equal to the total annual ordinary portfolio operating expenses of the Class II shares less 0.25%, as calculated at the end of each month. Prior to that date, the expense limitation may not be terminated without the consent of the Board of Trustees (Board).

<sup>3</sup> The Total Annual Portfolio Operating Expenses ratio shown in this table does not correlate to the expense ratio shown in the Financial Highlights table because (i) that ratio does not include the Acquired Fund Fees and Expenses, and (ii) the Portfolio has a voluntary waiver that is not reflected above.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the particular class of shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class I  | \$ 115 | \$ 359  | \$ 622  | \$ 1,375 |
| Class II | 140    | 437     | 755     | 1,657    |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 54% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Energy seeks to achieve its objective by investing, under normal circumstances, at least 80% of its net assets in securities of companies within the energy sector, which includes all aspects of the energy industry, such as exploration, discovery, production, distribution or infrastructure of energy and/or alternative energy sources.

These companies may include, but are not limited to, oil companies, oil and gas drilling, equipment and services companies, oil and gas exploration and production companies, oil and gas storage and transportation companies, natural gas pipeline companies, refinery companies, energy conservation companies, coal, transporters, utilities, alternative energy companies and innovative energy technology companies. The Portfolio also may invest in companies that are not within the energy sector that are engaged in the development of products and services to enhance energy efficiency for the users of those products and services.

The Portfolio is non-diversified, meaning that it may invest a significant portion of its total assets in a limited number of issuers.

After conducting a top-down (assessing the market environment) market analysis of the energy industry and geopolitical issues and then identifying trends and sectors, Ivy Investment Management Company (IICO), the Portfolio's investment manager, uses a research-oriented, bottom-up (researching individual issuers) investment approach when selecting securities for the Portfolio, focusing on company fundamentals and growth prospects. The Portfolio invests in a blend of value and growth companies across the capitalization spectrum, which may include companies that are offered in initial public offerings (IPOs), and emphasizes companies that IICO believes are strongly managed and can generate above average capital growth and appreciation. While IICO typically seeks to invest a majority of the Portfolio's assets in U.S. securities, the Portfolio may invest up to 100% of its total assets in foreign securities. The Portfolio typically holds a limited number of stocks (generally 35 to 50).

Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, potentially including companies domiciled or traded or doing business in emerging markets, even if the Portfolio is not invested directly in such markets.

Generally, in determining whether to sell a security, IICO uses the same type of analysis that it uses in buying securities to determine whether the security has ceased to offer significant growth potential, has sufficiently exceeded its target price, has become undervalued and/or whether the prospects of the issuer have deteriorated. IICO also will consider the effect of commodity price trends on certain holdings, poor capital management or whether a company has experienced a change or deterioration in its fundamentals, its valuation or its competitive advantage. IICO also may sell a security to take advantage of what it believes are more attractive investment opportunities, to reduce the Portfolio's holding in that security or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Concentration Risk.** Because the Portfolio invests more than 25% of its total assets in the energy-related industry, the Portfolio's performance may be more susceptible to a single economic, regulatory or technological occurrence than a fund that does not concentrate its investments in this industry. Securities of companies within specific industries or sectors of the economy may periodically perform differently than the overall market. In addition, the Portfolio's performance may be more volatile than an investment in a portfolio of broad market securities and may underperform the market as a whole, due to the relatively limited number of issuers of energy-related securities.
- **Energy Sector Risk.** Investment risks associated with investing in energy securities, in addition to other risks, include price fluctuation caused by real and perceived inflationary trends and political developments, the cost assumed in complying with environmental safety regulations, demand of energy fuels, energy conservation, the success of exploration projects, and tax and other governmental regulations.
- **Foreign Exposure Risk.** The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.
- **Foreign Securities Risk.** Investing in foreign securities involves a number of economic, financial, legal and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending upon the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related

conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. The risks may be exacerbated in connection with investments in emerging markets.

World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that the Portfolio holds material positions in such suspended securities, the Portfolio's ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

- **Growth Stock Risk.** Prices of growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks. Growth stocks may be more volatile or not perform as well as value stocks or the stock market in general.
- **Holdings Risk.** The Portfolio typically holds a limited number of stocks (generally 35 to 50). As a result, the appreciation or depreciation of any one security held by the Portfolio may have a greater impact on the Portfolio's NAV than it would if the Portfolio invested in a larger number of securities.
- **Initial Public Offering (IPO) Risk.** Any positive effect of investments in IPOs may not be sustainable because of a number of factors. Namely, the Portfolio may not be able to buy shares in some IPOs, or may be able to buy only a small number of shares. Also, the performance of IPOs generally is volatile, and is dependent on market psychology and economic conditions. To the extent that IPOs have a significant positive impact on the Portfolio's performance, this may not be able to be replicated in the future. The relative performance impact of IPOs also is likely to decline as the Portfolio grows.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Non-Diversification Risk.** The Portfolio is a "non-diversified" mutual fund and, as such, its investments are not required to meet certain diversification requirements under federal law. Compared with "diversified" funds, the Portfolio may invest a greater percentage of its assets in the securities of an issuer. Thus, the Portfolio may hold fewer securities than other funds. A decline in the value of those investments would cause the Portfolio's overall value to decline to a greater degree than if the Portfolio held more diversified holdings.
- **Value Stock Risk.** Value stocks are stocks of companies that may have experienced adverse business or industry developments or may be subject to special risks that have caused the stocks to be out of favor and, in the opinion of IICO, undervalued. The value of a security believed by IICO to be undervalued may never reach what is believed to be its full value; such security's value may decrease or such security may be appropriately priced.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for each class of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

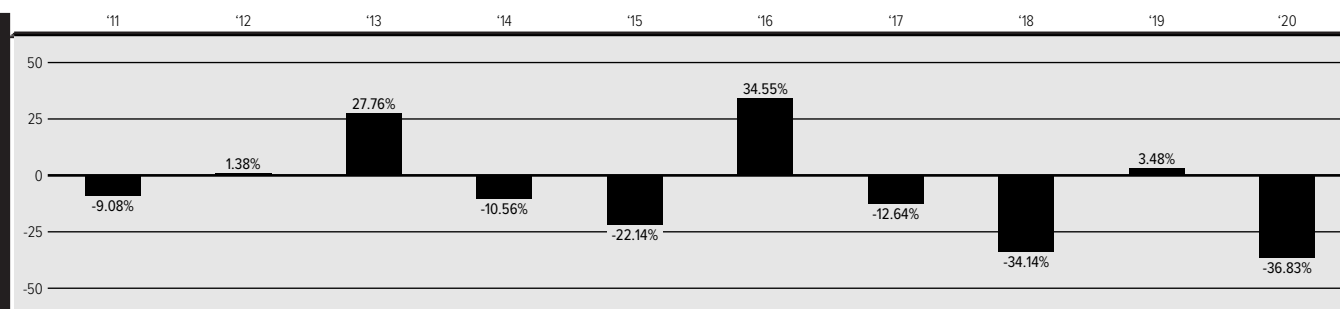
Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

Prior to April 30, 2012, the Portfolio's investment objective was to provide long-term capital appreciation. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide capital growth and appreciation.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

#### Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 37.65% (the fourth quarter of 2020) and the lowest quarterly return was -59.78% (the first quarter of 2020).

#### Average Annual Total Returns

| as of December 31, <u>2020</u>   | 1 Year         | 5 Years        | 10 Years<br>(or Life of Class) |
|--|----------------|----------------|--------------------------------|
| <b>Class I</b> (began on 4-28-2017)  | <u>-36.67%</u> | N/A            | <u>-19.99%</u>                 |
| <b>Class II</b>  | <u>-36.83%</u> | <u>-12.74%</u> | <u>-8.42%</u>                  |
| <b>Indexes</b>   |                |                |                                |
| S&P 1500 Energy Sector Index (reflects no deduction for fees, expenses or taxes) | <u>-33.81%</u> | <u>-6.02%</u>  | <u>-3.43%</u>                  |
| Morningstar Equity Energy Category Average (net of fees and expenses)            | <u>-24.54%</u> | <u>-9.67%</u>  | <u>-8.81%</u>                  |

#### Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

#### Portfolio Managers

David P. Ginther, Senior Vice President of IICO, has managed the Portfolio since May 2006, and Michael T. Wolverton, Vice President of IICO, has managed the Portfolio since October 2016.

#### Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies. Class I shares may be purchased only through fund of funds, advisory or trust accounts, wrap accounts or other asset allocation or fee-based investment arrangements.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

#### Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Natural Resources

## Objective

To seek to provide capital growth and appreciation.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |          |
|--|----------|
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| Management Fees  | 0.85%    |
| Distribution and Service (12b-1) Fees                                    | 0.25%    |
| Other Expenses   | 0.21%    |
| Acquired Fund Fees and Expenses <sup>1</sup>                             | 0.01%    |
| Total Annual Portfolio Operating Expenses <sup>2</sup>                   | 1.32%    |

<sup>1</sup> Acquired Fund Fees and Expenses sets forth the Portfolio's pro rata portion of the cumulative expenses charged by the registered investment company (RIC) in which the Fund invested during the last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of the RIC for the RIC's most recent fiscal period. These expenses are not direct costs paid by Portfolio shareholders and are not used to calculate the Portfolio's NAV.

<sup>2</sup> The Total Annual Portfolio Operating Expenses ratio shown above does not correlate to the expense ratio shown in the Financial Highlights table because that ratio does not include the Acquired Fund Fees and Expenses.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$134  | \$418   | \$723   | \$1,590  |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 71% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Natural Resources seeks to achieve its objective by investing, under normal circumstances, at least 80% of its net assets in equity securities of companies with operations throughout the world that own, explore or develop natural resources and other basic commodities or supply goods and services to such companies.

For these purposes, "natural resources" generally includes, but is not limited to: energy (such as electricity and gas utilities, producers/developers, equipment/services, storage/transportation, gas/oil refining and marketing, service/drilling, pipelines and master limited partnerships (MLPs)), alternative energy (such as uranium, coal, nuclear, hydrogen, wind, solar, fuel cells), industrial products (such as building materials, cement, packaging, chemicals,



materials infrastructure, supporting transport and machinery), forest products (such as lumber, plywood, pulp, paper, newsprint, tissue), base metals (such as aluminum, copper, nickel, zinc, iron ore and steel), precious metals and minerals (such as gold, silver, platinum, diamonds), and agricultural products (grains and other foods, seeds, fertilizers, water).

The Portfolio is non-diversified, meaning that it may invest a significant portion of its total assets in a limited number of issuers.

After conducting a top-down (assessing the market environment) market analysis of the natural resources industry and identifying trends and sectors, Ivy Investment Management Company (IICO), the Portfolio's investment manager, uses a research-oriented, bottom-up (researching individual issuers) investment approach when selecting securities for the Portfolio, focusing on company fundamentals and growth prospects. The Portfolio invests in a blend of value and growth companies across the capitalization spectrum, and emphasizes companies that IICO believes are strongly managed and can generate above-average capital growth and appreciation. IICO focuses on companies that it believes are high quality, have the potential for sustainable long-term growth and that are low-cost leaders that possess historically strong-producing assets. The Portfolio typically holds a limited number of stocks (generally 40 to 65).

Under normal circumstances, IICO anticipates that a significant portion of the Portfolio's holdings will consist of issuers in the energy and materials sectors.

The Portfolio seeks to be diversified internationally, and therefore, IICO invests in foreign companies and U.S. companies that have principal operations in foreign jurisdictions. While IICO typically seeks to invest a majority of the Portfolio's assets in the U.S., the Portfolio may invest up to 100% of its total assets in foreign securities. Exposure to companies in any one particular foreign country typically is less than 20% of the Portfolio's total assets. The Portfolio also may have exposure to companies located in, and/or doing business in, emerging markets.

An investment in foreign securities presents additional risks such as currency fluctuations and political or economic conditions affecting the foreign country. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

The Portfolio may use forward currency contracts in an effort to manage foreign currency exposure.

Generally, in determining whether to sell a security, IICO uses the same type of analysis that it uses in buying securities to determine whether the security has ceased to offer significant growth potential, has sufficiently exceeded its target price, has become overvalued and/or whether the prospects of the issuer have deteriorated. IICO also will consider the effect of commodity price trends on certain holdings, poor capital management or whether a company has experienced a change or deterioration in its fundamentals, its valuation or its competitive advantage. IICO also may sell a security to take advantage of what it believes are more attractive investment opportunities, to reduce the Portfolio's holding in that security or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Commodities Risk.** Commodity trading, including trading in precious metals, generally is considered speculative because of the significant potential for investment loss. Among the factors that could affect the value of the Portfolio's investments in commodities are resource availability, commodity price volatility, speculation in the commodities markets, cyclical economic conditions, sudden political events and adverse international monetary policies. Markets for commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. Also, the Portfolio may pay more to store and accurately value its commodity holdings than it does with its other portfolio investments. Moreover, under the federal tax law, the Portfolio may not derive more than 10% of its annual gross income from gains (without regard to losses) resulting from selling or otherwise disposing of commodities (and other "non-qualifying" income). Accordingly, the Portfolio may be required to hold its commodities or to sell them at a loss, or to sell portfolio securities at a gain, when for investment reasons it would not otherwise do so.

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.

- **Concentration Risk.** Because the Portfolio invests more than 25% of its total assets in the energy-related industry, the Portfolio's performance may be more susceptible to a single economic, regulatory or technological occurrence than a fund that does not concentrate its investments in this industry. Securities of companies within specific industries or

sectors of the economy may periodically perform differently than the overall market. In addition, the Portfolio's performance may be more volatile than an investment in a portfolio of broad market securities and may underperform the market as a whole, due to the relatively limited number of issuers of energy-related securities.

- **Emerging Market Risk.** Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets.
- **Energy Sector Risk.** Investment risks associated with investing in energy securities, in addition to other risks, include price fluctuation caused by real and perceived inflationary trends and political developments, the cost assumed in complying with environmental safety regulations, demand of energy fuels, energy conservation, the success of exploration projects, and tax and other governmental regulations.
- **Foreign Currency Exchange Transactions and Forward Foreign Currency Contracts Risk.** The Portfolio may use foreign currency exchange transactions and forward foreign currency contracts to hedge certain market risks (such as interest rates, currency exchange rates and broad or specific market movement). These investment techniques involve a number of risks, including the possibility of default by the counterparty to the transaction and, to the extent IICO's judgment as to certain market movements is incorrect, the risk of losses that are greater than if the investment technique had not been used.
- **Foreign Currency Risk.** Foreign securities may be denominated in foreign currencies. The value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations. Currency markets generally are not as regulated as securities markets.
- **Foreign Exposure Risk.** The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.
- **Foreign Securities Risk.** Investing in foreign securities involves a number of economic, financial, legal and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending upon the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. The risks may be exacerbated in connection with investments in emerging markets.

World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that the Portfolio holds material positions in such suspended securities, the Portfolio's ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.
- **Growth Stock Risk.** Prices of growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks. Growth stocks may be more volatile or not perform as well as value stocks or the stock market in general.
- **Holdings Risk.** The Portfolio typically holds a limited number of stocks (generally 40 to 65). As a result, the appreciation or depreciation of any one security held by the Portfolio may have a greater impact on the Portfolio's NAV than it would if the Portfolio invested in a larger number of securities.
- **Liquidity Risk.** Liquidity generally is related to the market trading volume for a particular security. Securities that have relatively less liquidity may trade at a discount from comparable, more liquid investments, and may be subject to wider fluctuations in market value. Such securities may be more difficult to dispose of at their recorded values and are subject to increased spreads and volatility. Also, the Portfolio may not be able to dispose of illiquid, or relatively less liquid, securities when that would be beneficial at a favorable time or price. Certain investments that generally were liquid when the Portfolio purchased them may become relatively less liquid, or even deemed illiquid, sometimes abruptly.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.

- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Materials Sector Risk.** Investment risks associated with investing in securities in the materials sector, in addition to other risks, include adverse effects from commodity price volatility, exchange rates, import controls and increased competition; the possibility that production of industrial materials will exceed demand as a result of overbuilding or economic downturns, leading to poor investment returns; risk for environmental damage and product liability claims; and adverse effects from depletion of resources, technical progress, labor relations and government regulations.
- **Natural Resources Industry Risk.** Investment risks associated with investing in securities of natural resources companies, in addition to other risks, include price fluctuation caused by real and perceived inflationary trends and political developments, the cost assumed by natural resource companies in complying with environmental and safety regulations, changes in supply of, or demand for, various natural resources, changes in energy prices, environmental incidents, energy conservation, the success of exploration projects, changes in commodity prices, and special risks associated with natural or man-made disasters. Securities of natural resource companies that are dependent on a single commodity, or are concentrated in a single commodity sector, may exhibit high volatility attributable to commodity prices.
- **Non-Diversification Risk.** The Portfolio is a "non-diversified" mutual fund and, as such, its investments are not required to meet certain diversification requirements under federal law. Compared with "diversified" funds, the Portfolio may invest a greater percentage of its assets in the securities of an issuer. Thus, the Portfolio may hold fewer securities than other funds. A decline in the value of those investments would cause the Portfolio's overall value to decline to a greater degree than if the Portfolio held more diversified holdings.
- **Sector Risk.** At times, the Portfolio may have a significant portion of its assets invested in securities of companies conducting business in a broadly related group of industries within an economic sector. Individual sectors may be more volatile, and may perform differently, than the broader market. Companies in the same economic sector may be similarly affected by economic or market events, making the Portfolio more vulnerable to unfavorable developments in that economic sector than funds that invest more broadly.
- **Value Stock Risk.** Value stocks are stocks of companies that may have experienced adverse business or industry developments or may be subject to special risks that have caused the stocks to be out of favor and, in the opinion of IICO, undervalued. The value of a security believed by IICO to be undervalued may never reach what is believed to be its full value; such security's value may decrease or such security may be appropriately priced.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

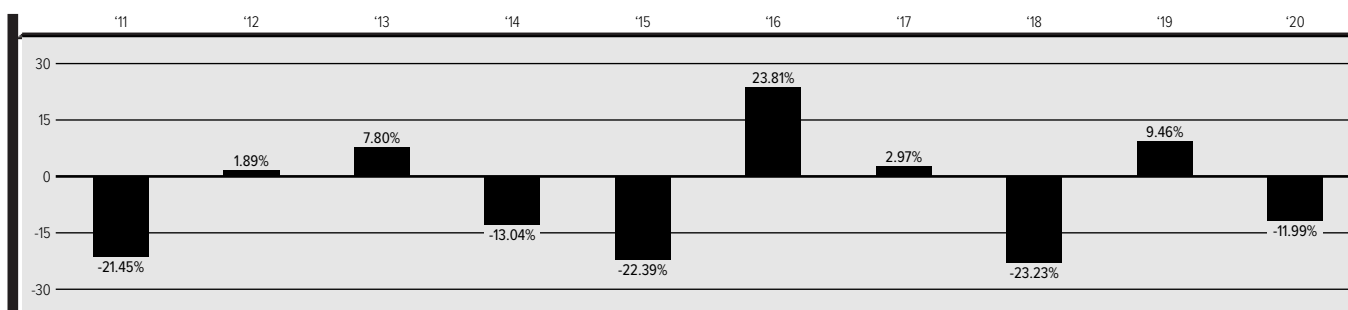
Mackenzie Financial Corporation served as the investment subadviser to the Portfolio until July 1, 2013, at which time, Waddell & Reed Investment Management Company (WRIMCO) assumed direct investment management responsibilities for the Portfolio. On October 1, 2016, IICO, an affiliate of WRIMCO, became the Portfolio's investment adviser.

Prior to April 30, 2012, the Portfolio's investment objective was to seek to provide long-term growth and any income realized was incidental. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide capital growth and appreciation.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

## Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 25.22% (the second quarter of 2020) and the lowest quarterly return was -38.30% (the first quarter of 2020).

## Average Annual Total Returns

as of December 31, 2020

|                 | 1 Year         | 5 Years       | 10 Years      |
|-----------------|----------------|---------------|---------------|
| <b>Class II</b> | <u>-11.99%</u> | <u>-1.17%</u> | <u>-5.82%</u> |

### Indexes

|   |                |               |               |
|---|----------------|---------------|---------------|
| S&P North American Natural Resources Sector Index (reflects no deduction for fees, expenses or taxes) | <u>-19.01%</u> | <u>-0.08%</u> | <u>-2.83%</u> |
| Morningstar Natural Resources Category Average (net of fees and expenses)                             | <u>16.37%</u>  | <u>10.15%</u> | <u>1.38%</u>  |

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Managers

David P. Ginther, Senior Vice President of IICO, has managed the Portfolio since July 2013, and Michael T. Wolverton, Vice President of IICO, has managed the Portfolio since October 2016.

## Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## Payments to Broker-Dealers and other Financial Intermediaries

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Science and Technology

## Objective

To seek to provide growth of capital.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |       |                     |
|--|-------|---------------------|
| (fees paid directly from your investment)                                |       | N/A                 |
| Annual Portfolio Operating Expenses                                      |       |                     |
| (expenses that you pay each year as a % of the value of your investment) |       | Class I    Class II |
| Management Fees  | 0.85% | 0.85%               |
| Distribution and Service (12b-1) Fees                                    | 0.00% | 0.25%               |
| Other Expenses   | 0.06% | 0.06%               |
| Total Annual Portfolio Operating Expenses <sup>1</sup>                   | 0.91% | 1.16%               |

<sup>1</sup> Through April 30, 2022, Ivy Distributors, Inc. (IDI), the Portfolio's distributor, and/or Waddell & Reed Services Company (doing business as WI Services Company (WISC)), the Portfolio's transfer agent, have contractually agreed to reimburse sufficient fees to ensure that the total annual ordinary portfolio operating expenses (which would exclude interest, taxes, brokerage commissions, acquired fund fees and expenses and extraordinary expenses, if any) of the Class I shares are at all times equal to the total annual ordinary portfolio operating expenses of the Class II shares less 0.25%, as calculated at the end of each month. Prior to that date, the expense limitation may not be terminated without the consent of the Board of Trustees (Board).

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the particular class of shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class I  | \$93   | \$290   | \$504   | \$1,120  |
| Class II | 118    | 368     | 638     | 1,409    |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 8% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Science and Technology invests primarily in the equity securities of science and technology companies around the globe. Under normal circumstances, the Portfolio invests at least 80% of its net assets in securities of science or technology companies. Such companies may include companies that, in the opinion of Ivy Investment Management Company (IICO), the Portfolio's investment manager, derive a competitive advantage by the application of scientific or technological developments or discoveries to grow their business or increase their competitive advantage. Science and technology companies are companies whose products, processes or services, in the opinion of IICO, are being, or are expected to be, significantly benefited by the use or commercial application of scientific or technological developments or



discoveries. The Portfolio also may invest in companies that utilize science and/or technology as an agent of change to significantly enhance their business opportunities (applied science and technology companies). The Portfolio may invest in securities issued by companies of any size, and may invest without limitation in foreign securities, including securities of issuers within emerging markets.

The Portfolio is non-diversified, meaning that it may invest a significant portion of its total assets in a limited number of issuers.

IICO typically emphasizes growth potential in selecting stocks; that is, IICO seeks companies in which earnings are likely to grow faster than the economy. IICO aims to identify strong secular trends within industries and then applies a largely bottom-up (researching individual issuers) stock selection process by considering a number of factors in selecting securities for the Portfolio. These may include but are not limited to a company's growth potential, earnings potential, quality of management, valuation, financial statements, industry position/market size potential and applicable economic and market conditions, as well as whether a company's products and services have high barriers to entry. The Portfolio typically holds a limited number of stocks (generally 35 to 60).

Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

Generally, in determining whether to sell a security, IICO uses the same type of analysis that it uses in buying securities in order to determine whether the security has ceased to offer significant growth potential, has become overvalued and/or whether the company prospects of the issuer have deteriorated due to a change in management, change in strategy and/or a change in its financial characteristics. IICO also may sell a security to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities, when a security's valuation reaches IICO's fair value targets, or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Concentration Risk.** Because the Portfolio invests more than 25% of its total assets in the science and technology-related industry, the Portfolio's performance may be more susceptible to a single economic, regulatory or technological occurrence than a fund that does not concentrate its investments in this industry. Securities of companies within specific industries or sectors of the economy may periodically perform differently than the overall market. In addition, the Portfolio's performance may be more volatile than an investment in a portfolio of broad market securities and may underperform the market as a whole, due to the relatively limited number of issuers of science and technology-related securities.
- **Emerging Market Risk.** Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets.
- **Foreign Exposure Risk.** The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.
- **Foreign Securities Risk.** Investing in foreign securities involves a number of economic, financial, legal and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending upon the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related



conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. The risks may be exacerbated in connection with investments in emerging markets.

World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that the Portfolio holds material positions in such suspended securities, the Portfolio's ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

- **Growth Stock Risk.** Prices of growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks. Growth stocks may be more volatile or not perform as well as value stocks or the stock market in general.
- **Holdings Risk.** The Portfolio typically holds a limited number of stocks (generally 35 to 60). As a result, the appreciation or depreciation of any one security held by the Portfolio may have a greater impact on the Portfolio's NAV than it would if the Portfolio invested in a larger number of securities.
- **Information Technology Sector Risk.** Investment risks associated with investing in the information technology sector, in addition to other risks, include the intense competition to which information technology companies may be subject; the dramatic and often unpredictable changes in growth rates and competition for qualified personnel among information technology companies; effects on profitability from being heavily dependent on patent and intellectual property rights and the loss or impairment of those rights; obsolescence of existing technology; general economic conditions; and government regulation.
- **Large Company Risk.** Large-capitalization companies may go in and out of favor based on market and economic conditions. Large-capitalization companies may be unable to respond quickly to new competitive challenges, such as changes in technology, and also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion. Although the securities of larger companies may be less volatile than those of companies with smaller market capitalizations, returns on investments in securities of large-capitalization companies could trail the returns on investments in securities of smaller companies.
- **Liquidity Risk.** Liquidity generally is related to the market trading volume for a particular security. Securities that have relatively less liquidity may trade at a discount from comparable, more liquid investments, and may be subject to wider fluctuations in market value. Such securities may be more difficult to dispose of at their recorded values and are subject to increased spreads and volatility. Also, the Portfolio may not be able to dispose of illiquid, or relatively less liquid, securities when that would be beneficial at a favorable time or price. Certain investments that generally were liquid when the Portfolio purchased them may become relatively less liquid, or even deemed illiquid, sometimes abruptly.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Mid-Size Company Risk.** Securities of mid-capitalization companies may be more vulnerable to adverse developments than those of larger companies due to such companies' limited product lines, limited markets and financial resources and dependence upon a relatively small management group. Securities of mid-capitalization companies may be more volatile and less liquid than the securities of larger companies, and may be affected to a greater extent than other types of securities by the underperformance of a sector or during market downturns.
- **Non-Diversification Risk.** The Portfolio is a "non-diversified" mutual fund and, as such, its investments are not required to meet certain diversification requirements under federal law. Compared with "diversified" funds, the

Portfolio may invest a greater percentage of its assets in the securities of an issuer. Thus, the Portfolio may hold fewer securities than other funds. A decline in the value of those investments would cause the Portfolio's overall value to decline to a greater degree than if the Portfolio held more diversified holdings.

- **Science and Technology Industry Risk.** Investment risks associated with investing in science and technology securities, in addition to other risks, include: operating in rapidly changing fields, abrupt or erratic market movements, limited product lines, markets or financial resources, management that is dependent on a limited number of people, short product cycles, aggressive pricing of products and services, new market entrants and obsolescence of existing technology. In addition, these securities may be impacted by commodity and energy prices, which can be volatile, and may increase the volatility of these securities.
- **Small Company Risk.** Securities of small-capitalization companies are subject to greater price volatility, lower trading volume and less liquidity due to, among other things, such companies' small size, limited product lines, limited access to financing sources and limited management depth. In addition, the frequency and volume of trading of such securities may be less than is typical of larger companies, making them subject to wider price fluctuations and such securities may be affected to a greater extent than other types of securities by the underperformance of a sector or during market downturns. In some cases, there could be difficulties in selling securities of small-capitalization companies at the desired time.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for each class of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

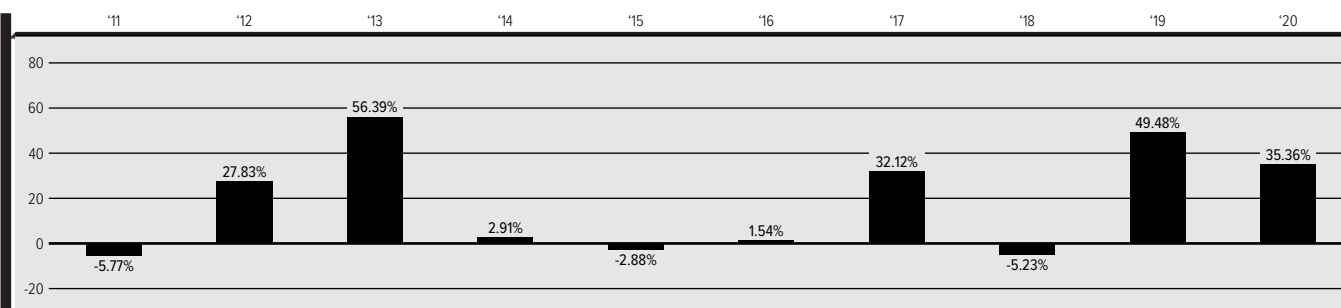
Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

Prior to April 30, 2012, the Portfolio's investment objective was to seek long-term capital growth. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide growth of capital.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 25.44% (the second quarter of 2020) and the lowest quarterly return was -17.91% (the fourth quarter of 2018).

Average Annual Total Returns

| as of December 31, 2020  | 1 Year | 5 Years | 10 Years<br>(or Life of Class) |
|--|--------|---------|--------------------------------|
| Class I (began on 4-28-2017)   | 35.70% | N/A     | 24.90%                         |
| Class II   | 35.36% | 20.80%  | 17.09%                         |
| <b>Indexes</b>   |        |         |                                |
| S&P North American Technology Sector Index (reflects no deduction for fees, expenses or taxes) | 45.15% | 27.23%  | 20.57%                         |
| Morningstar Technology Category Average (net of fees and expenses)                             | 55.91% | 25.41%  | 17.79%                         |

## **Investment Adviser**

The Portfolio is managed by Ivy Investment Management Company (IICO).

## **Portfolio Managers**

Zachary H. Shafran, Senior Vice President of IICO, has managed the Portfolio since February 2001, and Bradley J. Warden, Senior Vice President of IICO, has managed the Portfolio since October 2016.

## **Purchase and Sale of Portfolio Shares**

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies. Class I shares may be purchased only through fund of funds, advisory or trust accounts, wrap accounts or other asset allocation or fee-based investment arrangements.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## **Tax Information**

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Securian Real Estate Securities

## Objective

To seek to provide total return through capital appreciation and current income.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees  |          |
|---|----------|
| (fees paid directly from your investment)   | N/A      |
| Annual Portfolio Operating Expenses   |          |
| (expenses that you pay each year as a % of the value of your investment)                | Class II |
| Management Fees   | 0.90%    |
| Distribution and Service (12b-1) Fees   | 0.25%    |
| Other Expenses  | 0.31%    |
| Total Annual Portfolio Operating Expenses   | 1.46%    |
| Fee Waiver and/or Expense Reimbursement <sup>1</sup>                                    | 0.09%    |
| Total Annual Portfolio Operating Expenses After Fee Waiver and/or Expense Reimbursement | 1.37%    |

<sup>1</sup> Through April 30, 2022, Ivy Investment Management Company (IICO), the Portfolio's investment manager, has contractually agreed to reduce the management fees paid by the Portfolio by an annual rate of 0.09% of average daily net assets. Prior to that date, the reduction may not be terminated without the consent of the Board of Trustees (Board).

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same, taking into account the management fee reduction for the period indicated above. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$139  | \$453   | \$789   | \$1,739  |

## Portfolio Turnover

The Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in annual portfolio operating expenses or in the example, affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 72% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Securian Real Estate Securities seeks to achieve its objective by investing, under normal circumstances, at least 80% of its net assets in the securities of companies in the real estate or real estate-related industries. "Real estate" securities include securities of issuers that receive at least 50% of their gross revenue from the construction, ownership, leasing, management, financing or sale of residential, commercial or industrial real estate. "Real estate-related" securities include securities issued by companies primarily engaged in businesses that sell or offer products or services that are closely related to the real estate industry. The Portfolio does not directly invest in real estate.

Most of the Portfolio's real estate securities portfolio consists of securities issued by real estate investment trusts (REITs) and other real estate operating companies (REOCs) that are listed on a securities exchange or traded over-the-counter. A REIT is a corporation (or a trust or association that otherwise would be taxable as a domestic corporation) that invests in

real estate, mortgages on real estate or shares issued by other REITs and qualifies for pass-through federal income tax treatment provided it meets certain conditions, including the requirement that it distribute at least 90% of its taxable income. A REOC is a corporation or partnership (or an entity classified as such for federal tax purposes) that makes similar investments, except that a REOC has not elected or qualified to be taxed as a REIT and, therefore, among other differences, does not have a requirement to distribute any of its taxable income. REOCs also are more flexible than REITs in terms of what types of real estate investments they can make. At times, the Portfolio may invest a significant portion of its total assets in a limited number of issuers.

The Portfolio's investment subadviser, Securian Asset Management, Inc. (Securian AM), primarily utilizes a bottom-up (researching individual issuers) fundamental stock-picking approach in selecting what it believes are high-quality securities for investment by the Portfolio, which may include consideration of factors such as an issuer's financial condition and valuation, financial performance, quality of management, policies and strategies, real estate properties and competitive market condition. Other key attributes considered include an issuer's liquidity, transparency, diversification, return history and cash flow growth potential, as well as portfolio quality, market exposure, capital structure, business strategy risk, income volatility and corporate governance. The Portfolio then generally invests in those issuers that Securian AM believes have potential for long-term sustainable growth in earnings, or those trading at discounts to the underlying value of assets owned. Securian AM also seeks companies it believes have strong profitability and the ability to provide a strong return on investment, a dominant market position, stable property management and high-quality buildings and building maintenance. As part of its investment process, Securian AM also uses a top-down overlay to consider macro-economic and technical factors impacting real estate securities.

Securian AM considers various indicators in determining to sell a security, which may include the following: relative valuation is no longer compelling and operating conditions and/or performance are not sustainable; company fundamentals have deteriorated or do not meet expectations; a company-specific catalyst has matured and has been promptly reflected in the company's stock price; and/or the economics or financial outlook of the real estate industry has weakened. Securian AM also may sell a security to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Company Risk.** A company may be more volatile or perform worse than the overall market due to specific factors, such as adverse changes to its business or investor perceptions about the company.
- **Concentration Risk.** Because the Portfolio invests more than 25% of its total assets in the real estate-related industry, the Portfolio's performance may be more susceptible to a single economic, regulatory or technological occurrence than a fund that does not concentrate its investments in this industry. Securities of companies within specific industries or sectors of the economy may periodically perform differently than the overall market. In addition, the Portfolio's performance may be more volatile than an investment in a portfolio of broad market securities and may underperform the market as a whole, due to the relatively limited number of issuers of real estate-related securities.
- **Holdings Risk.** The Portfolio typically holds a limited number of stocks, and the Portfolio's managers also tend to invest a significant portion of the Portfolio's total assets in a limited number of stocks. As a result, the appreciation or depreciation of any one security held by the Portfolio may have a greater impact on the Portfolio's NAV than it would if the Portfolio invested in a larger number of securities.
- **Income Risk.** The risk that the Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security. The amount and rate of distributions that the Portfolio's shareholders receive are affected by the income that the Portfolio receives from its portfolio holdings. If the income is reduced, distributions by the Portfolio to shareholders may be less.
- **Interest Rate Risk.** A rise in interest rates may cause a decline in the value of the Portfolio's securities, especially securities with longer maturities. Typically, the longer the maturity or duration of a debt security, the greater the effect a change in interest rates could have on the security's price. Thus, the sensitivity of the Portfolio's debt securities to interest rate risk will increase with any increase in the duration of those securities. A decline in interest rates may cause the Portfolio to experience a decline in its income. Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. The Portfolio may be subject to heightened interest rate risk as a result of a rise or anticipated rise in interest rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.
- **Management Risk.** Portfolio performance is primarily dependent on Securian AM's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.



- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, the Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Real Estate Industry Risk.** Investment risks associated with investing in real estate securities, in addition to other risks, include rental income fluctuation, depreciation, property tax value changes, differences in real estate market values, overbuilding and extended vacancies, increased competition, operating expenses or zoning laws, costs of environmental clean-up or damages from natural disasters, cash flow fluctuations, and defaults by borrowers and tenants.
- **REIT-Related Risk.** The value of the Portfolio's securities of a REIT may be adversely affected by changes in the value of the REIT's underlying property or the property secured by mortgages the REIT holds, loss of the REIT's federal tax status or changes in laws and/or rules related to that status, or the REIT's failure to maintain its exemption from registration under the 1940 Act. In addition, the Portfolio may experience a decline in its income from REIT securities due to falling interest rates or decreasing dividend payments.
- **REOC-Related Risk.** REOCs are not required to pay any specific level of income as dividends, and there is no minimum restriction on the number of owners or limits on ownership concentration. The value of the Portfolio's REOC securities may be adversely affected by certain of the same factors that adversely affect REITs. In addition, a corporate REOC does not qualify for the favorable federal tax treatment that is accorded a REIT. In addition, the Portfolio may experience a decline in its income from REOC securities due to falling interest rates or decreasing dividend payments.

## Performance

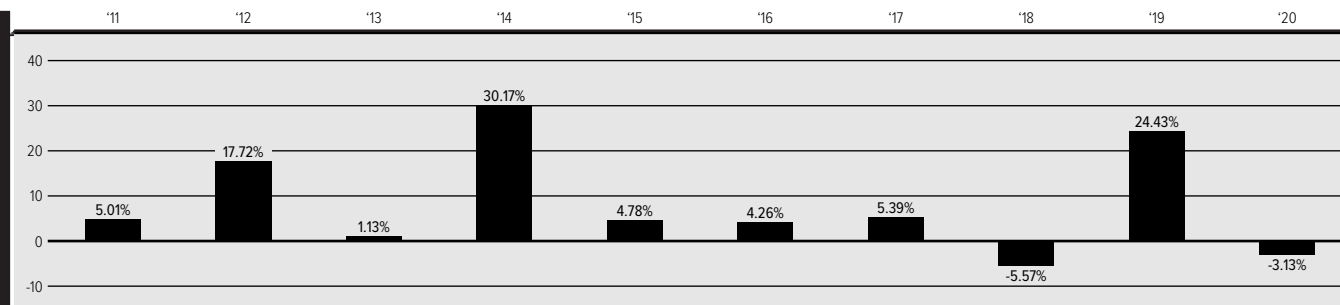
The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of a broad-based securities market index and a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 15.18% (the fourth quarter of 2011) and the lowest quarterly return was -21.69% (the first quarter of 2020).



| Average Annual Total Returns   |               |              |              |
|--|---------------|--------------|--------------|
| as of December 31, <u>2020</u>   | 1 Year        | 5 Years      | 10 Years     |
| <b>Class II</b>  | <u>-3.13%</u> | <u>4.57%</u> | <u>7.87%</u> |
| <b>Indexes</b>   |               |              |              |
| FTSE Nareit Equity REITs Index (reflects no deduction for fees, expenses or taxes) | <u>-8.00%</u> | <u>4.77%</u> | <u>8.31%</u> |
| Morningstar Real Estate Category Average (net of fees and expenses)                | <u>-4.49%</u> | <u>5.26%</u> | <u>8.07%</u> |

### Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO) and subadvised by Securian Asset Management, Inc. (Securian AM).

### Portfolio Managers

Lowell R. Bolken, Vice President and Portfolio Manager of Securian AM, has managed the Portfolio since April 2006; Matthew K. Richmond, Vice President and Portfolio Manager of Securian AM, has managed the Portfolio since January 2014; and Joshua M. Klaetsch, Portfolio Manager of Securian AM, has managed the Portfolio since April 2018.

### Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

### Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

### Payments to Broker-Dealers and other Financial Intermediaries

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Government Money Market

## Objective

To seek to provide current income consistent with maintaining liquidity and preservation of capital.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |          |
|--|----------|
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| <b>Management Fees</b>   | 0.35%    |
| <b>Distribution and Service (12b-1) Fees</b>                             | 0.00%    |
| <b>Other Expenses</b>  | 0.09%    |
| <b>Acquired Fund Fees and Expenses<sup>1</sup></b>                       | 0.03%    |
| <b>Total Annual Portfolio Operating Expenses<sup>2</sup></b>             | 0.47%    |

<sup>1</sup> Acquired Fund Fees and Expenses sets forth the Portfolio's pro rata portion of the cumulative expenses charged by the registered investment company (RIC) in which the Portfolio invested during the last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of the RIC for the RIC's most recent fiscal period. These expenses are not direct costs paid by Portfolio shareholders, and are not used to calculate the Portfolio's NAV.

<sup>2</sup> The Total Annual Portfolio Operating Expenses ratio shown in this table does not correlate to the expense ratio shown in the Financial Highlights table because (i) that ratio does not include the Acquired Fund Fees and Expenses and (ii) the Portfolio has a voluntary waiver that is not reflected above.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$48   | \$151   | \$263   | \$591    |

## Principal Investment Strategies

Ivy VIP Government Money Market seeks to achieve its objective by investing, under normal circumstances, at least 99.5% of its total assets in: (1) debt securities issued or guaranteed by the U.S. or certain U.S. government agencies or instrumentalities (government securities), (2) repurchase agreements that are fully collateralized by cash and/or government securities, and/or (3) cash. The Portfolio also has adopted a policy to invest, under normal circumstances, at least 80% of its net assets in government securities and/or repurchase agreements that are fully collateralized by government securities. In contrast to the Portfolio's 99.5% policy, the Portfolio's 80% policy does not include cash or repurchase agreements collateralized by cash. The Portfolio's investments in government securities may include direct obligations of the U.S. Treasury (Treasury) (such as Treasury bills, notes or bonds), obligations issued or guaranteed as to principal and interest (but not as to market value) by the U.S. government, its agencies or instrumentalities, and mortgage-backed securities issued or guaranteed by government agencies or government-sponsored enterprises. The Portfolio considers repurchase agreements with the Federal Reserve Bank of New York to be government securities for purposes of the Portfolio's investment policies.

The Portfolio seeks, as well, to maintain a net asset value (NAV) of \$1.00 per share. The Portfolio maintains a dollar-weighted average maturity of 60 calendar days or less, a dollar-weighted average life of 120 calendar days or less, and the Portfolio invests only in securities with a remaining maturity of not more than 397 calendar days.

Ivy Investment Management Company (IICO), the Portfolio's investment manager, selects securities for the Portfolio in compliance with the maturity, quality, diversification and liquidity requirements of Rule 2a-7 under the Investment Company Act of 1940, as amended (Rule 2a-7). IICO considers a number of factors in selecting securities for the Portfolio, including the credit quality of the particular issuer or guarantor of the security, along with the liquidity, maturity and yield.

Generally, in determining whether to sell a security, IICO uses the same type of analysis that it uses when buying securities to determine whether the security no longer offers adequate return or complies with Rule 2a-7. IICO also may sell a security to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

The Portfolio intends to continue to qualify as a "government money market fund," as such term is defined in or interpreted under Rule 2a-7. "Government money market funds" are exempt from requirements that permit money market funds to impose liquidity fees and/or temporary redemption gates. While the Board of Trustees of Ivy Variable Insurance Portfolios (Board) may elect in the future to subject the Portfolio to liquidity fees or redemption gates, the Board has not elected to do so at this time and has no current intention to do so.

## Principal Investment Risks

You could lose money by investing in the Portfolio. Although the Portfolio seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Portfolio is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. The Portfolio's sponsor has no legal obligation to provide financial support to the Portfolio, and you should not expect that the sponsor will provide financial support to the Portfolio at any time. The Portfolio is not intended as a complete investment program.

A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Amortized Cost Risk.** In the event that the Board determines that the extent of the deviation between the Portfolio's amortized cost per share and its market-based NAV per share could result in material dilution or other unfair results to shareholders, the Board will cause the Portfolio to take such action as it deems appropriate to eliminate, or reduce to the extent practicable, such dilution or unfair results, including but not limited to, suspending redemption of Portfolio shares or liquidating the Portfolio.
- **Credit Risk.** An issuer of a fixed-income obligation may not make payments on the obligation when due or may default on its obligation. There also is the risk that an issuer could suffer adverse changes in its financial condition that could lower the credit quality of a security. This could lead to greater volatility in the price of the security, could affect the security's liquidity, and could make it more difficult to sell. A downgrade or default affecting any of the Portfolio's securities could affect the Portfolio's performance. In general, the longer the maturity and the lower the credit quality of a bond, the more sensitive it is to credit risk.
- **Income Risk.** The risk that the Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security. The amount and rate of distributions that the Portfolio's shareholders receive are affected by the income that the Portfolio receives from its portfolio holdings. If the income is reduced, distributions by the Portfolio to shareholders may be less.
- **Interest Rate Risk.** A rise in interest rates may cause a decline in the value of the Portfolio's securities, especially securities with longer maturities. Typically, the longer the maturity or duration of a debt security, the greater the effect a change in interest rates could have on the security's price. Thus, the sensitivity of the Portfolio's debt securities to interest rate risk will increase with any increase in the duration of those securities. A decline in interest rates may cause the Portfolio to experience a decline in its income. Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. During periods of low short-term interest rates, the Portfolio may not be able to maintain a positive yield or may not be able to pay Portfolio expenses out of current income without impairing the Portfolio's ability to maintain a stable NAV. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally. Changes to the monetary policy by the Federal Reserve or other regulatory actions may affect interest rates.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds.
- **Money Market Fund Regulatory Risk.** As a money market fund, the Portfolio is subject to the specific rules governing money market funds and is subject to regulation by the SEC. These rules govern the manner in which the Portfolio is structured and operated and could significantly affect the money market fund industry generally and, therefore, may impact Portfolio expenses, operations, returns and liquidity.
- **Mortgage-Backed and Asset-Backed Securities Risk.** Mortgage-backed and asset-backed securities are subject to prepayment risk and extension risk. When interest rates decline, unscheduled prepayments can be expected to

accelerate, shortening the average lives of such securities, and the Portfolio may be required to reinvest the proceeds of the prepayments at the lower interest rates then available. Unscheduled prepayments also would limit the potential for capital appreciation on mortgage-backed and asset-backed securities, thereby reducing the Portfolio's income. Conversely, when interest rates rise, the values of mortgage-backed and asset-backed securities generally fall. Rising interest rates typically result in decreased prepayments and longer average lives of such securities. This could cause the value of such securities to be more volatile or decline more than other fixed-income securities, and may magnify the effect of the rate increase on the price of such securities.

Certain mortgage-backed securities are U.S. government securities. See *U.S. Government Securities Risk* for the risks of these types of securities. For non-U.S. government securities, there is the risk that payments on a security will not be made when due, or the value of such security will decline, because the security is not issued or guaranteed as to principal or interest by the U.S. government or by agencies or authorities controlled or supervised by and acting as instrumentalities of the U.S. government or supported by the right of the issuer to borrow from the U.S. government.

- **Redemption Risk.** The Portfolio may experience periods of heavy redemptions that could cause the Portfolio to sell assets at inopportune times or at a loss or depressed value. Redemption risk is heightened during periods of declining or illiquid markets. Heavy redemptions could hurt the Portfolio's performance.
- **Reinvestment Risk.** A decline in interest rates may cause issuers to prepay higher-yielding securities held by the Portfolio, resulting in the Portfolio reinvesting in securities with lower yields, which may cause a decline in its income.
- **Repurchase Agreements Risk.** Repurchase agreements are agreements in which the seller of a security to the Portfolio agrees to repurchase that security from the Portfolio at a mutually agreed-upon price and time. The return on the securities subject to the repurchase agreement may be more or less than the return on the repurchase agreement. Repurchase agreements carry the risk that the counterparty may not fulfill its obligations under the agreement. This could cause the Portfolio's income to decline and may impact the Portfolio's performance.
- **U.S. Government Securities Risk.** Certain U.S. government securities, such as Treasury securities and securities issued by Ginnie Mae, are backed by the full faith and credit of the U.S. government. Other U.S. government securities, such as securities issued by Fannie Mae, Freddie Mac and the FHLB, are not backed by the full faith and credit of the U.S. government and, instead, may be supported only by the credit of the issuer or by the right of the issuer to borrow from the Treasury.

## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of a Morningstar peer group (comprised of a universe of mutual funds with investment objectives similar to that of the Portfolio). The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

Performance results include the effect of expense reduction arrangements for some or all of the periods shown. If those arrangements had not been in place, the performance results for those periods would have been lower.

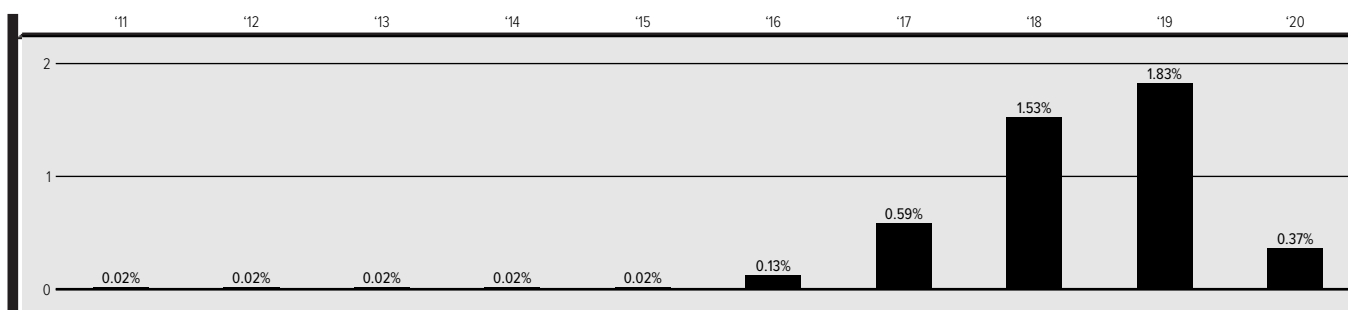
Prior to April 30, 2012, the Portfolio's investment objective was to seek maximum current income consistent with stability of principal. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide current income consistent with maintaining liquidity and preservation of capital.

Effective October 14, 2016, the Portfolio changed its name and investment strategy to reflect that it is classified as a "government money market fund," as such term is defined in or interpreted under Rule 2a-7. Performance prior to October 14, 2016 reflects the Portfolio's former investment strategy as a prime money market fund, which permitted investments in certain types of securities that, as a government money market fund, the Portfolio is no longer permitted to hold.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance, including its most recent 7-day yield.

## Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 0.50% (the first quarter of 2019) and the lowest quarterly return was 0.00% (the first, second, third and fourth quarters of 2011, 2012, 2013, 2014 and 2015 and the first quarter of 2016 and the third and fourth quarters of 2020). As of December 31, 2020, the 7-day yield was 0.01%. Yields are computed by annualizing the average daily dividend per share during the time period for which the yield is presented.

## Average Annual Total Returns

as of December 31, 2020

|  | 1 Year       | 5 Years      | 10 Years     |
|--|--------------|--------------|--------------|
| <b>Class II</b>  | <u>0.37%</u> | <u>0.89%</u> | <u>0.45%</u> |
| <b>Index</b>   |              |              |              |
| Morningstar Prime Money Market Category Average (net of fees and expenses) | <u>0.37%</u> | <u>0.91%</u> | <u>0.47%</u> |

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Manager

Mira Stevovich, Vice President of IICO, has managed the Portfolio since May 1998.

## Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## Payments to Broker-Dealers and other Financial Intermediaries

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Pathfinder Aggressive

## Objective

To seek to provide growth of capital consistent with a more aggressive level of risk as compared to the other Ivy VIP Pathfinder Portfolios.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |          |
|--|----------|
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| Management Fees  | 0.00%    |
| Distribution and Service (12b-1) Fees                                    | 0.00%    |
| Other Expenses   | 0.12%    |
| Acquired Fund Fees and Expenses <sup>1</sup>                             | 0.97%    |
| Total Annual Portfolio Operating Expenses <sup>2</sup>                   | 1.09%    |

<sup>1</sup> Acquired Fund Fees and Expenses sets forth the Portfolio's *pro rata* portion of the cumulative expenses charged by the Underlying Funds in which the Portfolio invested during its last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of each Underlying Fund for the Fund's most recent fiscal year.

<sup>2</sup> The Total Annual Portfolio Operating Expenses ratio shown in this table does not correlate to the expense ratio shown in the *Financial Highlights* table because that ratio does not include the Acquired Fund Fees and Expenses.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your direct and indirect costs, combined, would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$111  | \$347   | \$601   | \$1,329  |

## Portfolio Turnover

The Portfolio does not incur transaction costs, such as commissions, when it buys and sells shares of underlying funds (Underlying Funds) that are Portfolios of the Trust (or "turns over" its portfolio), but it could incur transaction costs if it were to buy and sell other types of securities directly. If the Portfolio were to buy and sell other types of securities directly, a higher portfolio turnover rate could indicate higher transaction costs. Such costs, if incurred, would not be reflected in annual portfolio operating expenses or in the example and would affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 21% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Pathfinder Aggressive seeks to achieve its objective by allocating its assets among the asset classes below so that approximately 50-60% of the value of the Portfolio's assets is in the U.S. stocks class, approximately 25-35% of the Portfolio's assets is in the international/global stocks class, approximately 0-20% of the Portfolio's assets is in the bonds class, and approximately 0-25% of the Portfolio's assets is in the short-term investments class. Ivy VIP Pathfinder Aggressive implements this allocation by investing primarily in the Underlying Funds shown below. The Portfolio typically will invest in Class I shares of an Underlying Fund to the extent offered by the Underlying Fund; otherwise the



Portfolio will invest in Class II shares of an Underlying Fund. The Portfolio's currently anticipated allocation ranges for each asset class, as well as the Portfolio's target allocation of investments among some or all of the Underlying Funds, are summarized in the table below. Shorter-term allocations may vary from the target allocation.

| Asset Class                        | Target Allocations |
|------------------------------------|--------------------|
| <b>U.S. Stocks</b>                 | <b>50-60%</b>      |
| Ivy VIP Core Equity                | 0-20%              |
| Ivy VIP Growth                     | 0-20%              |
| Ivy VIP Mid Cap Growth             | 0-10%              |
| Ivy VIP Small Cap Core             | 0-10%              |
| Ivy VIP Small Cap Growth           | 0-10%              |
| Ivy VIP Value                      | 0-20%              |
| <b>International/Global Stocks</b> | <b>25-35%</b>      |
| Ivy VIP Global Equity Income       | 0-35%              |
| Ivy VIP Global Growth              | 0-35%              |
| Ivy VIP International Core Equity  | 0-35%              |
| <b>Bonds</b>                       | <b>0-20%</b>       |
| Ivy VIP Corporate Bond             | 0-20%              |
| Ivy VIP Global Bond                | 0-15%              |
| Ivy VIP High Income                | 0-10%              |
| <b>Short-Term Investments</b>      | <b>0-25%</b>       |
| Ivy VIP Government Money Market    | 0-25%              |
| Ivy VIP Limited-Term Bond          | 0-25%              |
| <b>Total Allocation</b>            | <b>100%</b>        |

These allocations are projections only and may be changed by Ivy Investment Management Company (IICO), the Portfolio's investment manager, from time to time. Actual allocations are not limited to the ranges shown, and ranges may vary from those shown above. IICO monitors Ivy VIP Pathfinder Aggressive's holdings and cash flow and will periodically adjust the Portfolio's asset allocation to realign it with the Portfolio's risk profile and investment strategies. IICO evaluates Ivy VIP Pathfinder Aggressive's asset allocation on an ongoing basis in view of its risk profile and strategies. This means that allocation changes will be made as needed in the view of IICO. IICO applies a long-term investment horizon with respect to Ivy VIP Pathfinder Aggressive; therefore, allocation changes may not be made in response to short-term market conditions. The Portfolio does not intend to actively trade among the Underlying Funds, nor does it intend to attempt to capture short-term market opportunities.

By owning shares of the Underlying Funds, the Portfolio indirectly holds a well-diversified mixture of both growth-oriented and value-oriented U.S. and international/global stocks and, to a lesser extent, a mixture of investment-grade and non-investment-grade corporate bonds and U.S. government securities, and money market instruments. Although the majority of the Portfolio's indirect stock holdings are of U.S. and foreign large-capitalization companies, the Portfolio may have potentially significant exposure to mid-capitalization companies and small-capitalization companies. Large-capitalization companies typically are companies with market capitalizations of at least \$10 billion. Mid-capitalization companies typically are companies with market capitalizations that range between \$1 billion and \$10 billion. Small-capitalization companies typically are companies with market capitalizations below \$3.5 billion.

Ivy VIP Pathfinder Aggressive is intended for aggressive investors comfortable with incurring the risk associated with growth investing and investing in a high percentage of stocks, including foreign stocks, investors with long-term time horizons or investors who want to maximize long-term returns and who have a higher tolerance for possible short-term losses.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Asset Allocation Risk.** The Portfolio's performance depends on the allocation of its assets (i) between the U.S. Stocks, International/Global Stocks, Bonds and Short-Term Investment asset classes and (ii) among the Underlying Funds. There is a risk that the allocation of assets may skew toward an Underlying Fund that performs poorly relative to other funds, or to the market as a whole, which could result in the Portfolio performing poorly.
- **Fund of Funds Risk.** The ability of the Portfolio to meet its investment objective is directly related to its target allocations among the Underlying Funds and the ability of those funds to meet their investment objectives. The Portfolio's share price will likely change daily based on the performance of the Underlying Funds in which it invests. In general, the Portfolio is subject to the same risks as those of the Underlying Funds it holds. Because the Portfolio is weighted towards Underlying Funds that invest in stocks, both U.S. and foreign, including mid- and small-capitalization stocks, the Portfolio is more subject to the risks associated with those investments.
- **Equity Funds Risk.** The Portfolio invests in equity funds, for which a principal risk is market risk, the chance that stock prices overall will decline over short or even long periods of time. This includes the risk that returns from the stock market segments in which the Portfolio is most heavily indirectly invested may underperform other asset classes, other market segments or the overall stock market. The values of certain types of stocks, such as stocks of small-capitalization companies and foreign companies, may fluctuate more widely than others. The prices of small-capitalization company stocks may be based, in part, on future expectations rather than current achievements.
- **Bond Funds Risk.** A portion of the Portfolio's assets may be invested in funds that have exposure to bonds and other fixed-income securities. The principal risks that may be encountered by such investments are: bond prices overall may decline when interest rates rise (interest rate risk); a bond issuer may fail to pay interest and principal in a timely manner (credit risk); a Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security (income risk); a rise in interest rates could cause borrowers to pay back the principal on certain debt securities more slowly than expected, thus lengthening the average life of such securities and may magnify the effect of the rate increase on the price of such securities (extension risk); and a fixed-income security issuer may repay a higher yielding bond before its maturity date during periods of falling interest rates (reinvestment risk). Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.
- **Foreign Securities Risk.** A portion of the Portfolio's assets may be invested in funds with significant exposure to foreign securities, including exposure to emerging markets. Investing in foreign securities involves a number of economic, financial, legal, and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending on the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that an Underlying Fund holds material positions in such suspended securities, its ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

Sovereign debt instruments also are subject to the risk that a government or agency issuing the debt may be unable to pay interest and/or repay principal due to cash flow problems, insufficient foreign currency reserves or political concerns. In such instance, an Underlying Fund may have limited recourse against the issuing government or agency. Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets. Furthermore, because foreign securities may be denominated in foreign currencies, the value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations.

- **Investment Company Securities Risk.** Investment in other investment companies typically reflects the risks of the types of securities in which the investment companies invest. When the Portfolio invests in another investment company, shareholders of the Portfolio bear their proportionate share of the other investment company's fees and expenses as well as their share of the Portfolio's fees and expenses, which could result in the duplication of certain fees.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds. Furthermore, IICO may alter the asset allocation of the Portfolio at its discretion. A material change in the asset allocation could affect both the level of risk and the potential for gain or loss.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, a relatively high percentage of the Portfolio's assets may have indirect exposure to stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Other Risks Applicable to a Fund of Funds Structure.** There are other risks associated with a Fund of Funds structure. IICO has the authority to select and replace Underlying Funds. IICO is subject to a potential conflict of interest in doing so because IICO serves as the investment manager to the Underlying Funds and the advisory fees paid by some of the Underlying Funds are higher than fees paid by other Underlying Funds. It is important to note, however, that IICO has a fiduciary duty to the Portfolio and must act in the Portfolio's best interests.

Additional information about the risks of the Underlying Funds is provided in the Portfolio's prospectus in their respective sections and in the section entitled *Additional Information about Principal Investment Strategies, Other Investments and Risks*.

## Performance

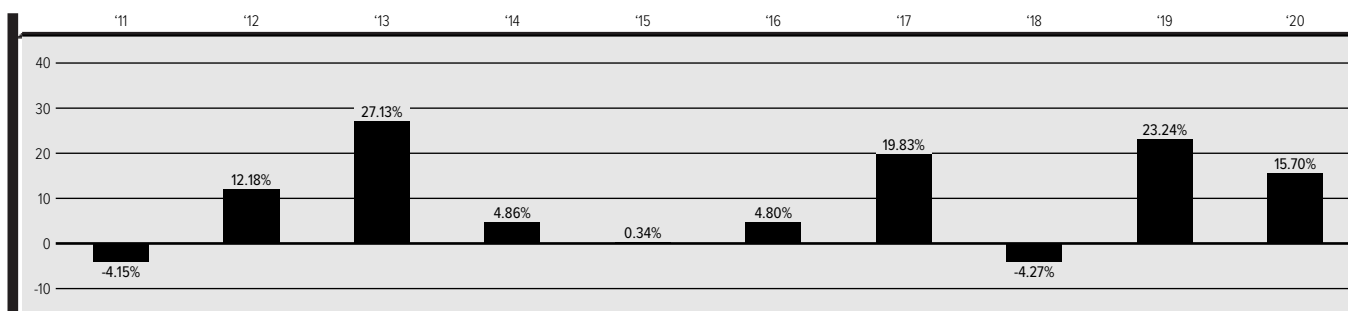
The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of various broad-based securities market indexes. The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

Prior to April 30, 2012, the Portfolio's investment objective was to seek maximum growth of capital consistent with a more aggressive level of risk as compared to the other Ivy VIP Pathfinder Portfolios. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide growth of capital consistent with a more aggressive level of risk as compared to the other Ivy VIP Pathfinder Portfolios.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

## Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 18.87% (the second quarter of 2020) and the lowest quarterly return was -18.62% (the first quarter of 2020).

## Average Annual Total Returns

as of December 31, 2020

|  | 1 Year | 5 Years | 10 Years |
|--|--------|---------|----------|
| <b>Class II</b>  | 15.70% | 11.38%  | 9.44%    |
| <b>Indexes</b>   |        |         |          |
| Current Blended Benchmark <sup>1</sup> (reflects no deduction for fees, expenses or taxes) | 15.45% | 11.81%  | 10.16%   |
| Russell 3000 Index (reflects no deduction for fees, expenses or taxes)                     | 20.89% | 15.43%  | 13.79%   |
| MSCI EAFE Index (reflects no deduction for fees, expenses or taxes)                        | 7.82%  | 7.45%   | 5.51%    |
| Bloomberg Barclays U.S. Credit Index (reflects no deduction for fees, expenses or taxes)   | 9.35%  | 6.44%   | 5.40%    |

<sup>1</sup> The Current Blended Benchmark is computed using a combination of 55% Russell 3000 Index + 30% MSCI EAFE Index + 15% Bloomberg Barclays U.S. Credit Index.

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Managers

F. Chace Brundige, Senior Vice President of IICO, has managed the Portfolio since June 2016; Aaron Young, Vice President of IICO, has managed the Portfolio since October 2016; and W. Jeffery Surles, Senior Vice President of IICO, has managed the Portfolio since February 2018.

## Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Pathfinder Moderately Aggressive

## Objective

To seek to provide growth of capital, but also to seek income consistent with a moderately aggressive level of risk as compared to the other Ivy VIP Pathfinder Portfolios.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |          |
|--|----------|
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| Management Fees  | 0.00%    |
| Distribution and Service (12b-1) Fees                                    | 0.00%    |
| Other Expenses   | 0.04%    |
| Acquired Fund Fees and Expenses <sup>1</sup>                             | 0.94%    |
| Total Annual Portfolio Operating Expenses <sup>2</sup>                   | 0.98%    |

<sup>1</sup> Acquired Fund Fees and Expenses sets forth the Portfolio's *pro rata* portion of the cumulative expenses charged by the Underlying Funds in which the Portfolio invested during its last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of each Underlying Fund for the Fund's most recent fiscal year.

<sup>2</sup> The Total Annual Portfolio Operating Expenses ratio shown in this table does not correlate to the expense ratio shown in the *Financial Highlights* table because that ratio does not include the Acquired Fund Fees and Expenses.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your direct and indirect costs, combined, would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$100  | \$312   | \$542   | \$1,201  |

## Portfolio Turnover

The Portfolio does not incur transaction costs, such as commissions, when it buys and sells shares of underlying funds (Underlying Funds) that are Portfolios of the Trust (or "turns over" its portfolio), but it could incur transaction costs if it were to buy and sell other types of securities directly. If the Portfolio were to buy and sell other types of securities directly, a higher portfolio turnover rate could indicate higher transaction costs. Such costs, if incurred, would not be reflected in annual portfolio operating expenses or in the example and would affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 20% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Pathfinder Moderately Aggressive seeks to achieve its objective by allocating its assets among the asset classes below so that approximately 45-55% of the value of the Portfolio's assets is in the U.S. stocks class, approximately 20-30% of the Portfolio's assets is in the international/global stocks class, approximately 0-25% of the Portfolio's assets is in the bonds class, and approximately 5-35% of the Portfolio's assets is in the short-term investments class. Ivy VIP Pathfinder Moderately Aggressive implements this allocation by investing primarily in the Underlying Funds shown below. The Portfolio typically will invest in Class I shares of an Underlying Fund to the extent offered by the Underlying



Fund; otherwise the Portfolio will invest in Class II shares of an Underlying Fund. The Portfolio's currently anticipated allocation ranges for each asset class, as well as the Portfolio's target allocation of investments among some or all of the Underlying Funds, are summarized in the table below. Shorter-term allocations may vary from the target allocation.

| Asset Class                        | Target Allocations |
|------------------------------------|--------------------|
| <b>U.S. Stocks</b>                 | 45-55%             |
| Ivy VIP Core Equity                | 0-20%              |
| Ivy VIP Growth                     | 0-20%              |
| Ivy VIP Mid Cap Growth             | 0-10%              |
| Ivy VIP Small Cap Core             | 0-10%              |
| Ivy VIP Small Cap Growth           | 0-10%              |
| Ivy VIP Value                      | 0-20%              |
| <b>International/Global Stocks</b> | 20-30%             |
| Ivy VIP Global Equity Income       | 0-30%              |
| Ivy VIP Global Growth              | 0-30%              |
| Ivy VIP International Core Equity  | 0-30%              |
| <b>Bonds</b>                       | 0-25%              |
| Ivy VIP Corporate Bond             | 0-25%              |
| Ivy VIP Global Bond                | 0-15%              |
| Ivy VIP High Income                | 0-10%              |
| <b>Short-Term Investments</b>      | 5-35%              |
| Ivy VIP Government Money Market    | 0-35%              |
| Ivy VIP Limited-Term Bond          | 0-35%              |
| <b>Total Allocation</b>            | 100%               |

These allocations are projections only and may be changed by Ivy Investment Management Company (IICO), the Portfolio's investment manager, from time to time. Actual allocations are not limited to the ranges shown, and ranges may vary from those shown above. IICO monitors Ivy VIP Pathfinder Moderately Aggressive's holdings and cash flow and will periodically adjust the Portfolio's asset allocation to realign it with the Portfolio's risk profile and investment strategies. IICO evaluates Ivy VIP Pathfinder Moderately Aggressive's asset allocation on an ongoing basis in view of its risk profile and strategies. This means that allocation changes will be made as needed in the view of IICO. IICO applies a long-term investment horizon with respect to Ivy VIP Pathfinder Moderately Aggressive; therefore, allocation changes may not be made in response to short-term market conditions. The Portfolio does not intend to actively trade among the Underlying Funds, nor does it intend to attempt to capture short-term market opportunities.

By owning shares of the Underlying Funds, the Portfolio indirectly holds a well-diversified mixture of both growth-oriented and value-oriented U.S. and international/global stocks and, to a lesser extent, a mixture of investment-grade and non-investment-grade corporate bonds, U.S. government securities and money market instruments. Although the majority of the Portfolio's indirect stock holdings are of U.S. and foreign large-capitalization companies, the Portfolio is likely to have some exposure to mid- and small-capitalization companies.

Ivy VIP Pathfinder Moderately Aggressive is intended for investors who want to maximize returns over the long term but who have a tolerance for possible short-term losses or who are looking for some additional diversification.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Asset Allocation Risk.** The Portfolio's performance depends on the allocation of its assets (i) between the U.S. Stocks, International/Global Stocks, Bonds and Short-Term Investment asset classes and (ii) among the Underlying Funds. There is a risk that the allocation of assets may skew toward an Underlying Fund that performs poorly relative to other funds, or to the market as a whole, which could result in the Portfolio performing poorly.
- **Fund of Funds Risk.** The ability of the Portfolio to meet its investment objective is directly related to its target allocations among the Underlying Funds and the ability of those funds to meet their investment objectives. The Portfolio's share price will likely change daily based on the performance of the Underlying Funds in which it invests. In

general, the Portfolio is subject to the same risks as those of the Underlying Funds it holds. Because the Portfolio is weighted towards Underlying Funds that invest in stocks, both U.S. and foreign, including mid- and small-capitalization stocks, the Portfolio is more subject to the risks associated with those investments.

- **Equity Funds Risk.** The Portfolio invests in equity funds, for which a principal risk is market risk, the chance that stock prices overall will decline over short or even long periods of time. This includes the risk that returns from the stock market segments in which the Portfolio is most heavily indirectly invested may underperform other asset classes, other market segments or the overall stock market. The values of certain types of stocks, such as stocks of small-capitalization companies and foreign companies, may fluctuate more widely than others. The prices of small-capitalization company stocks may be based, in part, on future expectations rather than current achievements.
- **Bond Funds Risk.** A portion of the Portfolio's assets may be invested in funds that have exposure to bonds and other fixed-income securities. The principal risks that may be encountered by such investments are: bond prices overall may decline when interest rates rise (interest rate risk); a bond issuer may fail to pay interest and principal in a timely manner (credit risk); a Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security (income risk); a rise in interest rates could cause borrowers to pay back the principal on certain debt securities more slowly than expected, thus lengthening the average life of such securities and may magnify the effect of the rate increase on the price of such securities (extension risk); and a fixed-income security issuer may repay a higher yielding bond before its maturity date during periods of falling interest rates (reinvestment risk). Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.
- **Foreign Securities Risk.** A portion of the Portfolio's assets may be invested in funds with significant exposure to foreign securities, including exposure to emerging markets. Investing in foreign securities involves a number of economic, financial, legal, and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending on the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that an Underlying Fund holds material positions in such suspended securities, its ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

Sovereign debt instruments also are subject to the risk that a government or agency issuing the debt may be unable to pay interest and/or repay principal due to cash flow problems, insufficient foreign currency reserves or political concerns. In such instance, an Underlying Fund may have limited recourse against the issuing government or agency. Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets. Furthermore, because foreign securities may be denominated in foreign currencies, the value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations.

- **Investment Company Securities Risk.** Investment in other investment companies typically reflects the risks of the types of securities in which the investment companies invest. When the Portfolio invests in another investment company, shareholders of the Portfolio bear their proportionate share of the other investment company's fees and expenses as well as their share of the Portfolio's fees and expenses, which could result in the duplication of certain fees.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds. Furthermore, IICO may alter the asset allocation of the Portfolio at its discretion. A material change in the asset allocation could affect both the level of risk and the potential for gain or loss.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic

developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, a relatively high percentage of the Portfolio's assets may have indirect exposure to stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

- **Other Risks Applicable to a Fund of Funds Structure.** There are other risks associated with a Fund of Funds structure. IICO has the authority to select and replace Underlying Funds. IICO is subject to a potential conflict of interest in doing so because IICO serves as the investment manager to the Underlying Funds and the advisory fees paid by some of the Underlying Funds are higher than fees paid by other Underlying Funds. It is important to note, however, that IICO has a fiduciary duty to the Portfolio and must act in the Portfolio's best interests.

Additional information about the risks of the Underlying Funds is provided in the Portfolio's prospectus in their respective sections and in the section entitled *Additional Information about Principal Investment Strategies, Other Investments and Risks*.

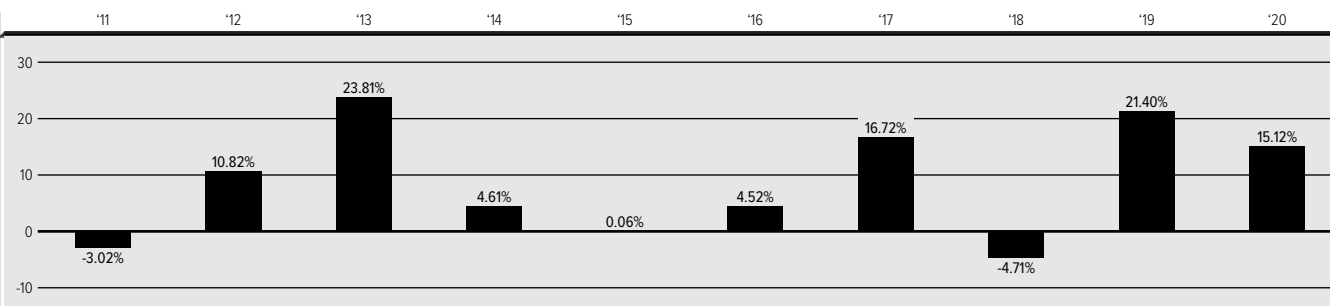
## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of various broad-based securities market indexes. The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 17.27% (the second quarter of 2020) and the lowest quarterly return was -16.61% (the first quarter of 2020).

Average Annual Total Returns

as of December 31, 2020

|  | 1 Year        | 5 Years       | 10 Years      |
|--|---------------|---------------|---------------|
| <b>Class II</b>  | <u>15.12%</u> | <u>10.19%</u> | <u>8.51%</u>  |
| <b>Indexes</b>   |               |               |               |
| Current Blended Benchmark <sup>1</sup> (reflects no deduction for fees, expenses or taxes)       | <u>14.82%</u> | <u>11.15%</u> | <u>9.58%</u>  |
| Russell 3000 Index (reflects no deduction for fees, expenses or taxes)                           | <u>20.89%</u> | <u>15.43%</u> | <u>13.79%</u> |
| MSCI EAFE Index (reflects no deduction for fees, expenses or taxes)                              | <u>7.82%</u>  | <u>7.45%</u>  | <u>5.51%</u>  |
| Bloomberg Barclays U.S. Credit Index (reflects no deduction for fees, expenses or taxes)         | <u>9.35%</u>  | <u>6.44%</u>  | <u>5.40%</u>  |
| Bloomberg Barclays 1-3 Year Gov/Credit Index (reflects no deduction for fees, expenses or taxes) | <u>3.33%</u>  | <u>2.21%</u>  | <u>1.60%</u>  |

<sup>1</sup> The Current Blended Benchmark is computed using a combination of 50% Russell 3000 Index +25% MSCI EAFE Index + 20% Bloomberg Barclays U.S. Credit Index + 5% Bloomberg Barclays 1-3 Year Gov/Credit Index.

## **Investment Adviser**

The Portfolio is managed by Ivy Investment Management Company (IICO).

## **Portfolio Managers**

F. Chace Brundige, Senior Vice President of IICO, has managed the Portfolio since June 2016; Aaron Young, Vice President of IICO, has managed the Portfolio since October 2016; and W. Jeffery Surles, Senior Vice President of IICO, has managed the Portfolio since February 2018.

## **Purchase and Sale of Portfolio Shares**

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## **Tax Information**

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Pathfinder Moderate

## Objective

To seek to provide total return consistent with a moderate level of risk as compared to the other Ivy VIP Pathfinder Portfolios.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |          |
|--|----------|
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| Management Fees  | 0.00%    |
| Distribution and Service (12b-1) Fees                                    | 0.00%    |
| Other Expenses   | 0.04%    |
| Acquired Fund Fees and Expenses <sup>1</sup>                             | 0.91%    |
| Total Annual Portfolio Operating Expenses <sup>2</sup>                   | 0.95%    |

<sup>1</sup> Acquired Fund Fees and Expenses sets forth the Portfolio's *pro rata* portion of the cumulative expenses charged by the Underlying Funds in which the Portfolio invested during its last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of each Underlying Fund for the Fund's most recent fiscal year.

<sup>2</sup> The Total Annual Portfolio Operating Expenses ratio shown in this table does not correlate to the expense ratio shown in the *Financial Highlights* table because that ratio does not include the Acquired Fund Fees and Expenses.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your direct and indirect costs, combined, would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$97   | \$303   | \$525   | \$1,166  |

## Portfolio Turnover

The Portfolio does not incur transaction costs, such as commissions, when it buys and sells shares of underlying funds (Underlying Funds) that are Portfolios of the Trust (or "turns over" its portfolio), but it could incur transaction costs if it were to buy and sell other types of securities directly. If the Portfolio were to buy and sell other types of securities directly, a higher portfolio turnover rate could indicate higher transaction costs. Such costs, if incurred, would not be reflected in annual portfolio operating expenses or in the example and would affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 21% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Pathfinder Moderate seeks to achieve its objective by allocating its assets among the asset classes below so that approximately 40-50% of the value of the Portfolio's assets is in the U.S. stocks class, approximately 15-25% of the Portfolio's assets is in the international/global stocks class, approximately 0-30% of the Portfolio's assets is in the bonds class, and approximately 10-45% of the Portfolio's assets is in the short-term investments class. Ivy VIP Pathfinder Moderate implements this allocation by investing primarily in the Underlying Funds shown below. The Portfolio typically will invest in Class I shares of an Underlying Fund to the extent offered by the Underlying Fund; otherwise the Portfolio

will invest in Class II shares of an Underlying Fund. The Portfolio's currently anticipated allocation ranges for each asset class, as well as the Portfolio's target allocation of investments among some or all of the Underlying Funds, are summarized in the table below. Shorter-term allocations may vary from the target allocation.

| Asset Class                        | Target Allocations |
|------------------------------------|--------------------|
| <b>U.S. Stocks</b>                 | 40-50%             |
| Ivy VIP Core Equity                | 0-20%              |
| Ivy VIP Growth                     | 0-20%              |
| Ivy VIP Mid Cap Growth             | 0-10%              |
| Ivy VIP Small Cap Core             | 0-10%              |
| Ivy VIP Small Cap Growth           | 0-10%              |
| Ivy VIP Value                      | 0-20%              |
| <b>International/Global Stocks</b> | 15-25%             |
| Ivy VIP Global Equity Income       | 0-25%              |
| Ivy VIP Global Growth              | 0-25%              |
| Ivy VIP International Core Equity  | 0-25%              |
| <b>Bonds</b>                       | 0-30%              |
| Ivy VIP Corporate Bond             | 0-30%              |
| Ivy VIP Global Bond                | 0-15%              |
| Ivy VIP High Income                | 0-10%              |
| <b>Short-Term Investments</b>      | 10-45%             |
| Ivy VIP Government Money Market    | 0-45%              |
| Ivy VIP Limited-Term Bond          | 0-45%              |
| <b>Total Allocation</b>            | 100%               |

These allocations are projections only and may be changed by Ivy Investment Management Company (IICO), the Portfolio's investment manager, from time to time. Actual allocations are not limited to the ranges shown and ranges may vary from those shown above. IICO monitors Ivy VIP Pathfinder Moderate's holdings and cash flow and will periodically adjust the Portfolio's asset allocation to realign it with the Portfolio's risk profile and investment strategies. IICO evaluates Ivy VIP Pathfinder Moderate's asset allocation on an ongoing basis in view of its risk profile and strategies. This means that allocation changes will be made as needed in the view of IICO. IICO applies a long-term investment horizon with respect to Ivy VIP Pathfinder Moderate; therefore, allocation changes may not be made in response to short-term market conditions. The Portfolio does not intend to actively trade among the Underlying Funds, nor does it intend to attempt to capture short-term market opportunities.

By owning shares of the Underlying Funds, the Portfolio indirectly holds a well-diversified mixture of both growth-oriented and value-oriented, primarily large-capitalization, U.S. and, to a lesser extent, international/global stocks, as well as a mixture of investment-grade and non-investment-grade corporate bonds, U.S. government securities and money market instruments.

Ivy VIP Pathfinder Moderate is intended for investors who have a lower tolerance for risk than more aggressive investors and who are seeking both growth and income, who have a longer time horizon, or who are willing to accept moderate short-term price fluctuations in exchange for potential longer-term returns.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Asset Allocation Risk.** The Portfolio's performance depends on the allocation of its assets (i) between the U.S. Stocks, International/Global Stocks, Bonds and Short-Term Investment asset classes and (ii) among the Underlying Funds. There is a risk that the allocation of assets may skew toward an Underlying Fund that performs poorly relative to other funds, or to the market as a whole, which could result in the Portfolio performing poorly.
- **Fund of Funds Risk.** The ability of the Portfolio to meet its investment objective is directly related to its target allocations among the Underlying Funds and the ability of those funds to meet their investment objectives. The Portfolio's share price will likely change daily based on the performance of the Underlying Funds in which it invests. In



general, the Portfolio is subject to the same risks as those of the Underlying Funds it holds. Because the Portfolio is weighted towards Underlying Funds that invest in stocks, both U.S. and foreign, including mid- and small-capitalization stocks, as well as bonds and short-term instruments, the Portfolio is more subject to the risks associated with those investments.

- **Equity Funds Risk.** The Portfolio invests in equity funds, for which a principal risk is market risk, the chance that stock prices overall will decline over short or even long periods of time. This includes the risk that returns from the stock market segments in which the Portfolio is most heavily indirectly invested may underperform other asset classes, other market segments or the overall stock market. The values of certain types of stocks, such as stocks of small-capitalization companies and foreign companies, may fluctuate more widely than others. The prices of small-capitalization company stocks may be based, in part, on future expectations rather than current achievements.
- **Bond Funds Risk.** A portion of the Portfolio's assets may be invested in funds that have exposure to bonds and other fixed-income securities. The principal risks that may be encountered by such investments are: bond prices overall may decline when interest rates rise (interest rate risk); a bond issuer may fail to pay interest and principal in a timely manner (credit risk); a Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security (income risk); a rise in interest rates could cause borrowers to pay back the principal on certain debt securities more slowly than expected, thus lengthening the average life of such securities and may magnify the effect of the rate increase on the price of such securities (extension risk); and a fixed-income security issuer may repay a higher yielding bond before its maturity date during periods of falling interest rates (reinvestment risk). Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.
- **Foreign Securities Risk.** A portion of the Portfolio's assets may be invested in funds with significant exposure to foreign securities, including exposure to emerging markets. Investing in foreign securities involves a number of economic, financial, legal, and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending on the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that an Underlying Fund holds material positions in such suspended securities, its ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

Sovereign debt instruments also are subject to the risk that a government or agency issuing the debt may be unable to pay interest and/or repay principal due to cash flow problems, insufficient foreign currency reserves or political concerns. In such instance, an Underlying Fund may have limited recourse against the issuing government or agency. Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets. Furthermore, because foreign securities may be denominated in foreign currencies, the value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations.

- **Investment Company Securities Risk.** Investment in other investment companies typically reflects the risks of the types of securities in which the investment companies invest. When the Portfolio invests in another investment company, shareholders of the Portfolio bear their proportionate share of the other investment company's fees and expenses as well as their share of the Portfolio's fees and expenses, which could result in the duplication of certain fees.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds. Furthermore, IICO may alter the asset allocation of the Portfolio at its discretion. A material change in the asset allocation could affect both the level of risk and the potential for gain or loss.

■ **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, a relatively high percentage of the Portfolio's assets may have indirect exposure to stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

■ **Other Risks Applicable to a Fund of Funds Structure.** There are other risks associated with a Fund of Funds structure. IICO has the authority to select and replace Underlying Funds. IICO is subject to a potential conflict of interest in doing so because IICO serves as the investment manager to the Underlying Funds and the advisory fees paid by some of the Underlying Funds are higher than fees paid by other Underlying Funds. It is important to note, however, that IICO has a fiduciary duty to the Portfolio and must act in the Portfolio's best interests.

Additional information about the risks of the Underlying Funds is provided in the Portfolio's prospectus in their respective sections and in the section entitled *Additional Information about Principal Investment Strategies, Other Investments and Risks*.

## Performance

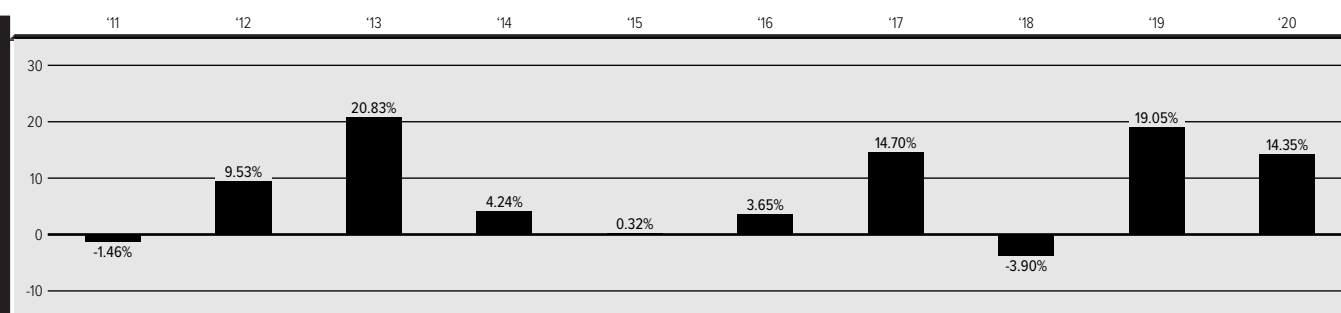
The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of various broad-based securities market indexes. The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

Prior to April 30, 2012, the Portfolio's investment objective was to seek a high level of total return consistent with a moderate level of risk as compared to the other Ivy VIP Pathfinder Portfolios. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide total return consistent with a moderate level of risk as compared to the other Ivy VIP Pathfinder Portfolios.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 15.60% (the second quarter of 2020) and the lowest quarterly return was -14.48% (the first quarter of 2020).

| Average Annual Total Returns   |                 |                |                |
|--|-----------------|----------------|----------------|
| as of December 31, 2020  | 1 Year          | 5 Years        | 10 Years       |
| <b>Class II</b>  | <b>▲ 14.35%</b> | <b>▲ 9.23%</b> | <b>▲ 7.81%</b> |
| <b>Indexes</b>   |                 |                |                |
| Current Blended Benchmark <sup>1</sup> (reflects no deduction for fees, expenses or taxes)       | ▲ 14.14%        | ▲ 10.46%       | ▲ 8.99%        |
| Russell 3000 Index (reflects no deduction for fees, expenses or taxes)                           | ▲ 20.89%        | ▲ 15.43%       | ▲ 13.79%       |
| Bloomberg Barclays U.S. Credit Index (reflects no deduction for fees, expenses or taxes)         | ▲ 9.35%         | ▲ 6.44%        | ▲ 5.40%        |
| MSCI EAFE Index (reflects no deduction for fees, expenses or taxes)                              | ▲ 7.82%         | ▲ 7.45%        | ▲ 5.51%        |
| Bloomberg Barclays 1-3 Year Gov/Credit Index (reflects no deduction for fees, expenses or taxes) | ▲ 3.33%         | ▲ 2.21%        | ▲ 1.60%        |

<sup>1</sup> The Current Blended Benchmark is computed using a combination of 45% Russell 3000 Index + 25% Bloomberg Barclays U.S. Credit Index + 20% MSCI EAFE Index + 10% Bloomberg Barclays 1-3 Year Gov/Credit Index.

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Managers

F. Chace Brundige, Senior Vice President of IICO, has managed the Portfolio since June 2016; Aaron Young, Vice President of IICO, has managed the Portfolio since October 2016; and W. Jeffery Surles, Senior Vice President of IICO, has managed the Portfolio since February 2018.

## Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## Payments to Broker-Dealers and other Financial Intermediaries

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Pathfinder Moderately Conservative

## Objective

To seek to provide total return consistent with a moderately conservative level of risk as compared to the other Ivy VIP Pathfinder Portfolios.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |          |
|--|----------|
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| <b>Management Fees</b>   | 0.00%    |
| <b>Distribution and Service (12b-1) Fees</b>                             | 0.00%    |
| <b>Other Expenses</b>  | 0.06%    |
| <b>Acquired Fund Fees and Expenses<sup>1</sup></b>                       | 0.88%    |
| <b>Total Annual Portfolio Operating Expenses<sup>2</sup></b>             | 0.94%    |

<sup>1</sup> *Acquired Fund Fees and Expenses* sets forth the Portfolio's *pro rata* portion of the cumulative expenses charged by the Underlying Funds in which the Portfolio invested during its last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of each Underlying Fund for the Fund's most recent fiscal year.

<sup>2</sup> The *Total Annual Portfolio Operating Expenses* ratio shown in this table does not correlate to the expense ratio shown in the *Financial Highlights* table because that ratio does not include the Acquired Fund Fees and Expenses.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your direct and indirect costs, combined, would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$96   | \$300   | \$520   | \$1,155  |

## Portfolio Turnover

The Portfolio does not incur transaction costs, such as commissions, when it buys and sells shares of underlying funds (Underlying Funds) that are Portfolios of the Trust (or "turns over" its portfolio), but it could incur transaction costs if it were to buy and sell other types of securities directly. If the Portfolio were to buy and sell other types of securities directly, a higher portfolio turnover rate could indicate higher transaction costs. Such costs, if incurred, would not be reflected in annual portfolio operating expenses or in the example and would affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 25% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Pathfinder Moderately Conservative seeks to achieve its objective by allocating its assets among the asset classes below so that approximately 0-35% of the value of the Portfolio's assets is in the bonds class, approximately 35-45% of the Portfolio's assets is in the U.S. stocks class, approximately 15-55% of the Portfolio's assets is in the short-term investments class, and approximately 10-20% of the Portfolio's assets is in the international/global stocks class. Ivy VIP Pathfinder Moderately Conservative implements this allocation by investing primarily in the Underlying Funds shown below. The Portfolio typically will invest in Class I shares of an Underlying Fund to the extent offered by the Underlying

Fund; otherwise the Portfolio will invest in Class II shares of an Underlying Fund. The Portfolio's currently anticipated allocation ranges for each asset class, as well as the Portfolio's target allocation of investments among some or all of the Underlying Funds, are summarized in the table below. Shorter-term allocations may vary from the target allocation.

| Asset Class                        | Target Allocations |
|------------------------------------|--------------------|
| <b>U.S. Stocks</b>                 | <b>35-45%</b>      |
| Ivy VIP Core Equity                | 0-15%              |
| Ivy VIP Growth                     | 0-15%              |
| Ivy VIP Mid Cap Growth             | 0-10%              |
| Ivy VIP Small Cap Core             | 0-10%              |
| Ivy VIP Small Cap Growth           | 0-10%              |
| Ivy VIP Value                      | 0-15%              |
| <b>International/Global Stocks</b> | <b>10-20%</b>      |
| Ivy VIP Global Equity Income       | 0-20%              |
| Ivy VIP Global Growth              | 0-20%              |
| Ivy VIP International Core Equity  | 0-20%              |
| <b>Bonds</b>                       | <b>0-35%</b>       |
| Ivy VIP Corporate Bond             | 0-35%              |
| Ivy VIP Global Bond                | 0-20%              |
| Ivy VIP High Income                | 0-5%               |
| <b>Short-Term Investments</b>      | <b>15-55%</b>      |
| Ivy VIP Government Money Market    | 0-55%              |
| Ivy VIP Limited-Term Bond          | 0-55%              |
| <b>Total Allocation</b>            | <b>100%</b>        |

These allocations are projections only and may be changed by Ivy Investment Management Company (IICO), the Portfolio's investment manager, from time to time. Actual allocations are not limited to the ranges shown and ranges may vary from those shown above. IICO monitors Ivy VIP Pathfinder Moderately Conservative's holdings and cash flow and will periodically adjust the Portfolio's asset allocation to realign it with the Portfolio's risk profile and investment strategies. IICO evaluates Ivy VIP Pathfinder Moderately Conservative's asset allocation on an ongoing basis in view of its risk profile and strategies. This means that allocation changes will be made as needed in the view of IICO. IICO applies a long-term investment horizon with respect to Ivy VIP Pathfinder Moderately Conservative; therefore, allocation changes may not be made in response to short-term market conditions. The Portfolio does not intend to actively trade among the Underlying Funds, nor does it intend to attempt to capture short-term market opportunities.

By owning shares of the Underlying Funds, the Portfolio indirectly holds a diversified mixture of stocks of U.S. and, to a lesser extent, international/global stocks that typically are large-capitalization; the Portfolio also indirectly holds a mixture of investment-grade corporate bonds, U.S. government securities and, to a lesser extent, a mixture of non-investment-grade corporate bonds and money market instruments.

Ivy VIP Pathfinder Moderately Conservative is intended for investors who have a lower tolerance for risk and whose primary goal is income, who have a shorter time horizon or who are willing to accept some amount of market volatility in exchange for greater potential income and growth.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Asset Allocation Risk.** The Portfolio's performance depends on the allocation of its assets (i) between the U.S. Stocks, International/Global Stocks, Bonds and Short-Term Investment asset classes and (ii) among the Underlying Funds. There is a risk that the allocation of assets may skew toward an Underlying Fund that performs poorly relative to other funds, or to the market as a whole, which could result in the Portfolio performing poorly.
- **Fund of Funds Risk.** The ability of the Portfolio to meet its investment objective is directly related to its target allocations among the Underlying Funds and the ability of those funds to meet their investment objectives. The Portfolio's share price will likely change daily based on the performance of the Underlying Funds in which it invests. In



general, the Portfolio is subject to the same risks as those of the Underlying Funds it holds. Because the Portfolio is weighted towards Underlying Funds that invest in stocks, both U.S. and foreign, including mid- and small-capitalization stocks, as well as bonds and short-term instruments, the Portfolio is more subject to the risks associated with those investments.

- **Equity Funds Risk.** The Portfolio invests in equity funds, for which a principal risk is market risk, the chance that stock prices overall will decline over short or even long periods of time. This includes the risk that returns from the stock market segments in which the Portfolio is most heavily indirectly invested may underperform other asset classes, other market segments or the overall stock market. The values of certain types of stocks, such as stocks of small-capitalization companies and foreign companies, may fluctuate more widely than others. The prices of small-capitalization company stocks may be based, in part, on future expectations rather than current achievements.
- **Bond Funds Risk.** A portion of the Portfolio's assets may be invested in funds that have exposure to bonds and other fixed-income securities. The principal risks that may be encountered by such investments are: bond prices overall may decline when interest rates rise (interest rate risk); a bond issuer may fail to pay interest and principal in a timely manner (credit risk); a Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security (income risk); a rise in interest rates could cause borrowers to pay back the principal on certain debt securities more slowly than expected, thus lengthening the average life of such securities and may magnify the effect of the rate increase on the price of such securities (extension risk); and a fixed-income security issuer may repay a higher yielding bond before its maturity date during periods of falling interest rates (reinvestment risk). Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.
- **Foreign Securities Risk.** A portion of the Portfolio's assets may be invested in funds with significant exposure to foreign securities, including exposure to emerging markets. Investing in foreign securities involves a number of economic, financial, legal, and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending on the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that an Underlying Fund holds material positions in such suspended securities, its ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

Sovereign debt instruments also are subject to the risk that a government or agency issuing the debt may be unable to pay interest and/or repay principal due to cash flow problems, insufficient foreign currency reserves or political concerns. In such instance, an Underlying Fund may have limited recourse against the issuing government or agency. Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets. Furthermore, because foreign securities may be denominated in foreign currencies, the value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations.

- **Investment Company Securities Risk.** Investment in other investment companies typically reflects the risks of the types of securities in which the investment companies invest. When the Portfolio invests in another investment company, shareholders of the Portfolio bear their proportionate share of the other investment company's fees and expenses as well as their share of the Portfolio's fees and expenses, which could result in the duplication of certain fees.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds. Furthermore, IICO may alter the asset allocation of the Portfolio at its discretion. A material change in the asset allocation could affect both the level of risk and the potential for gain or loss.



■ **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, a relatively high percentage of the Portfolio's assets may have indirect exposure to stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

■ **Other Risks Applicable to a Fund of Funds Structure.** There are other risks associated with a Fund of Funds structure. IICO has the authority to select and replace Underlying Funds. IICO is subject to a potential conflict of interest in doing so because IICO serves as the investment manager to the Underlying Funds and the advisory fees paid by some of the Underlying Funds are higher than fees paid by other Underlying Funds. It is important to note, however, that IICO has a fiduciary duty to the Portfolio and must act in the Portfolio's best interests.

Additional information about the risks of the Underlying Funds is provided in the Portfolio's prospectus in their respective sections and in the section entitled *Additional Information about Principal Investment Strategies, Other Investments and Risks*.

## Performance

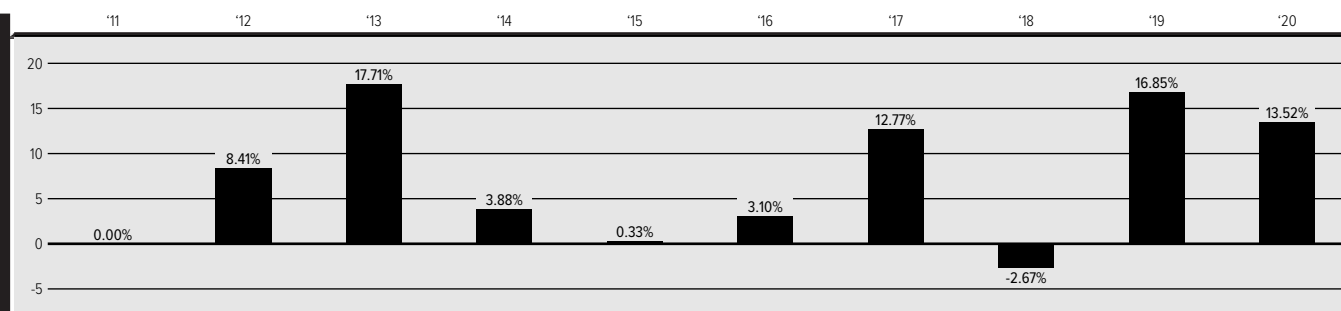
The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of various broad-based securities market indexes. The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

Prior to April 30, 2012, the Portfolio's investment objective was to seek a high level of total return consistent with a moderately conservative level of risk as compared to the other Ivy VIP Pathfinder Portfolios. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide total return consistent with a moderately conservative level of risk as compared to the other Ivy VIP Pathfinder Portfolios.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 14.04% (the second quarter of 2020) and the lowest quarterly return was -12.43% (the first quarter of 2020).

| Average Annual Total Returns   |                      |                     |                     |
|--|----------------------|---------------------|---------------------|
| as of December 31, 2020  | 1 Year               | 5 Years             | 10 Years            |
| <b>Class II</b>  | <b><u>13.52%</u></b> | <b><u>8.46%</u></b> | <b><u>7.16%</u></b> |
| <b>Indexes</b>   |                      |                     |                     |
| Current Blended Benchmark <sup>1</sup> (reflects no deduction for fees, expenses or taxes)       | <u>13.40%</u>        | <u>9.77%</u>        | <u>8.39%</u>        |
| Russell 3000 Index (reflects no deduction for fees, expenses or taxes)                           | <u>20.89%</u>        | <u>15.43%</u>       | <u>13.79%</u>       |
| Bloomberg Barclays U.S. Credit Index (reflects no deduction for fees, expenses or taxes)         | <u>9.35%</u>         | <u>6.44%</u>        | <u>5.40%</u>        |
| MSCI EAFE Index (reflects no deduction for fees, expenses or taxes)                              | <u>7.82%</u>         | <u>7.45%</u>        | <u>5.51%</u>        |
| Bloomberg Barclays 1-3 Year Gov/Credit Index (reflects no deduction for fees, expenses or taxes) | <u>3.33%</u>         | <u>2.21%</u>        | <u>1.60%</u>        |

<sup>1</sup> The Current Blended Benchmark is computed using a combination of 40% Russell 3000 Index + 30% Bloomberg Barclays U.S. Credit Index + 15% MSCI EAFE Index + 15% Bloomberg Barclays 1-3 Year Gov/Credit Index.

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Managers

F. Chace Brundige, Senior Vice President of IICO, has managed the Portfolio since June 2016; Aaron Young, Vice President of IICO, has managed the Portfolio since October 2016; and W. Jeffery Surles, Senior Vice President of IICO, has managed the Portfolio since February 2018.

## Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## Payments to Broker-Dealers and other Financial Intermediaries

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Pathfinder Conservative

## Objective

To seek to provide total return consistent with a conservative level of risk as compared to the other Ivy VIP Pathfinder Portfolios.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |              |
|--|--------------|
| (fees paid directly from your investment)                                | N/A          |
| Annual Portfolio Operating Expenses                                      |              |
| (expenses that you pay each year as a % of the value of your investment) | Class II     |
| <b>Management Fees</b>   | 0.00%        |
| <b>Distribution and Service (12b-1) Fees</b>                             | 0.00%        |
| <b>Other Expenses</b>  | <u>0.08%</u> |
| <b>Acquired Fund Fees and Expenses<sup>1</sup></b>                       | <u>0.85%</u> |
| <b>Total Annual Portfolio Operating Expenses<sup>2</sup></b>             | <u>0.93%</u> |

<sup>1</sup> *Acquired Fund Fees and Expenses* sets forth the Portfolio's *pro rata* portion of the cumulative expenses charged by the Underlying Funds in which the Portfolio invested during its last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of each Underlying Fund for the Fund's most recent fiscal year.

<sup>2</sup> The *Total Annual Portfolio Operating Expenses* ratio shown in this table does not correlate to the expense ratio shown in the *Financial Highlights* table because that ratio does not include the Acquired Fund Fees and Expenses.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your direct and indirect costs, combined, would be:*

|          | 1 Year      | 3 Years      | 5 Years      | 10 Years       |
|----------|-------------|--------------|--------------|----------------|
| Class II | <u>\$95</u> | <u>\$296</u> | <u>\$515</u> | <u>\$1,143</u> |

## Portfolio Turnover

The Portfolio does not incur transaction costs, such as commissions, when it buys and sells shares of underlying funds (Underlying Funds) that are Portfolios of the Trust (or "turns over" its portfolio), but it could incur transaction costs if it were to buy and sell other types of securities directly. If the Portfolio were to buy and sell other types of securities directly, a higher portfolio turnover rate could indicate higher transaction costs. Such costs, if incurred, would not be reflected in annual portfolio operating expenses or in the example and would affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 41% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Pathfinder Conservative seeks to achieve its objective by allocating its assets among the asset classes below so that approximately 20-65% of the value of the Portfolio's assets is in the short-term investments class, approximately 0-40% of the Portfolio's assets is in the bonds class, approximately 30-40% of the Portfolio's assets is in the U.S. stocks class (with stocks of various capitalization levels, but primarily large-capitalization stocks), and approximately 5-15% of the Portfolio's assets is in the international/global stocks class. Ivy VIP Pathfinder Conservative implements this allocation by investing primarily in the Underlying Funds shown below. The Portfolio typically will invest in Class I

shares of an Underlying Fund to the extent offered by the Underlying Fund; otherwise the Portfolio will invest in Class II shares of an Underlying Fund. The Portfolio's currently anticipated allocation ranges for each asset class, as well as the Portfolio's target allocation of investments among some or all of the Underlying Funds, are summarized in the table below. Shorter-term allocations may vary from the target allocation.

| Asset Class                        | Target Allocations |
|------------------------------------|--------------------|
| <b>U.S. Stocks</b>                 | <b>30-40%</b>      |
| Ivy VIP Core Equity                | 0-15%              |
| Ivy VIP Growth                     | 0-15%              |
| Ivy VIP Mid Cap Growth             | 0-10%              |
| Ivy VIP Small Cap Core             | 0-10%              |
| Ivy VIP Small Cap Growth           | 0-10%              |
| Ivy VIP Value                      | 0-15%              |
| <b>International/Global Stocks</b> | <b>5-15%</b>       |
| Ivy VIP Global Equity Income       | 0-15%              |
| Ivy VIP Global Growth              | 0-15%              |
| Ivy VIP International Core Equity  | 0-15%              |
| <b>Bonds</b>                       | <b>0-40%</b>       |
| Ivy VIP Corporate Bond             | 0-40%              |
| Ivy VIP Global Bond                | 0-20%              |
| Ivy VIP High Income                | 0-5%               |
| <b>Short-Term Investments</b>      | <b>20-65%</b>      |
| Ivy VIP Government Money Market    | 0-65%              |
| Ivy VIP Limited-Term Bond          | 0-65%              |
| <b>Total Allocation</b>            | <b>100%</b>        |

These allocations are projections only and may be changed by Ivy Investment Management Company (IICO), the Portfolio's investment manager, from time to time. Actual allocations are not limited to the ranges shown and ranges may vary from those shown above. IICO monitors Ivy VIP Pathfinder Conservative's holdings and cash flow and will periodically adjust the Portfolio's asset allocation to realign it with the Portfolio's risk profile and investment strategies. IICO evaluates Ivy VIP Pathfinder Conservative's asset allocation on an ongoing basis in view of its risk profile and strategies. This means that allocation changes will be made as needed in the view of IICO. IICO applies a long-term investment horizon with respect to Ivy VIP Pathfinder Conservative; therefore, allocation changes may not be made in response to short-term market conditions. The Portfolio does not intend to actively trade among the Underlying Funds, nor does it intend to attempt to capture short-term market opportunities.

By owning shares of the Underlying Funds, the Portfolio indirectly holds a diversified mixture of money market instruments, investment-grade corporate bonds, U.S. government securities, and, to a lesser extent, stocks of primarily large-capitalization companies.

Ivy VIP Pathfinder Conservative is intended for investors who have a low tolerance for risk and whose primary goal is income, or who have a short time horizon.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Asset Allocation Risk.** The Portfolio's performance depends on the allocation of its assets (i) between the U.S. Stocks, International/Global Stocks, Bonds and Short-Term Investment asset classes and (ii) among the Underlying Funds. There is a risk that the allocation of assets may skew toward an Underlying Fund that performs poorly relative to other funds, or to the market as a whole, which could result in the Portfolio performing poorly.
- **Fund of Funds Risk.** The ability of the Portfolio to meet its investment objective is directly related to its target allocations among the Underlying Funds and the ability of those funds to meet their investment objectives. The Portfolio's share price will likely change daily based on the performance of the Underlying Funds in which it invests. In

general, the Portfolio is subject to the same risks as those of the Underlying Funds it holds. Because the Portfolio is weighted towards Underlying Funds that invest in bonds and short-term instruments, as well as, to a lesser extent, stocks, both U. S. and foreign, the Portfolio is more subject to the risks associated with those investments.

- **Equity Funds Risk.** The Portfolio invests in equity funds, for which a principal risk is market risk, the chance that stock prices overall will decline over short or even long periods of time. This includes the risk that returns from the stock market segments in which the Portfolio is most heavily indirectly invested may underperform other asset classes, other market segments or the overall stock market. The values of certain types of stocks, such as stocks of small-capitalization companies and foreign companies, may fluctuate more widely than others. The prices of small-capitalization company stocks may be based, in part, on future expectations rather than current achievements.
- **Bond Funds Risk.** A portion of the Portfolio's assets may be invested in funds that have exposure to bonds and other fixed-income securities. The principal risks that may be encountered by such investments are: bond prices overall may decline when interest rates rise (interest rate risk); a bond issuer may fail to pay interest and principal in a timely manner (credit risk); a Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security (income risk); a rise in interest rates could cause borrowers to pay back the principal on certain debt securities more slowly than expected, thus lengthening the average life of such securities and may magnify the effect of the rate increase on the price of such securities (extension risk); and a fixed-income security issuer may repay a higher yielding bond before its maturity date during periods of falling interest rates (reinvestment risk). Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.
- **Foreign Securities Risk.** A portion of the Portfolio's assets may be invested in funds with significant exposure to foreign securities, including exposure to emerging markets. Investing in foreign securities involves a number of economic, financial, legal, and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending on the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that an Underlying Fund holds material positions in such suspended securities, its ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

Sovereign debt instruments also are subject to the risk that a government or agency issuing the debt may be unable to pay interest and/or repay principal due to cash flow problems, insufficient foreign currency reserves or political concerns. In such instance, an Underlying Fund may have limited recourse against the issuing government or agency. Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets. Furthermore, because foreign securities may be denominated in foreign currencies, the value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations.

- **Investment Company Securities Risk.** Investment in other investment companies typically reflects the risks of the types of securities in which the investment companies invest. When the Portfolio invests in another investment company, shareholders of the Portfolio bear their proportionate share of the other investment company's fees and expenses as well as their share of the Portfolio's fees and expenses, which could result in the duplication of certain fees.
- **Management Risk.** Portfolio performance is primarily dependent on IICO's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds. Furthermore, IICO may alter the asset allocation of the Portfolio at its discretion. A material change in the asset allocation could affect both the level of risk and the potential for gain or loss.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic

developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, a relatively high percentage of the Portfolio's assets may have indirect exposure to stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

- **Other Risks Applicable to a Fund of Funds Structure.** There are other risks associated with a Fund of Funds structure. IICO has the authority to select and replace Underlying Funds. IICO is subject to a potential conflict of interest in doing so because IICO serves as the investment manager to the Underlying Funds and the advisory fees paid by some of the Underlying Funds are higher than fees paid by other Underlying Funds. It is important to note, however, that IICO has a fiduciary duty to the Portfolio and must act in the Portfolio's best interests.

Additional information about the risks of the Underlying Funds is provided in the Portfolio's prospectus in their respective sections and in the section entitled *Additional Information about Principal Investment Strategies, Other Investments and Risks*.

## Performance

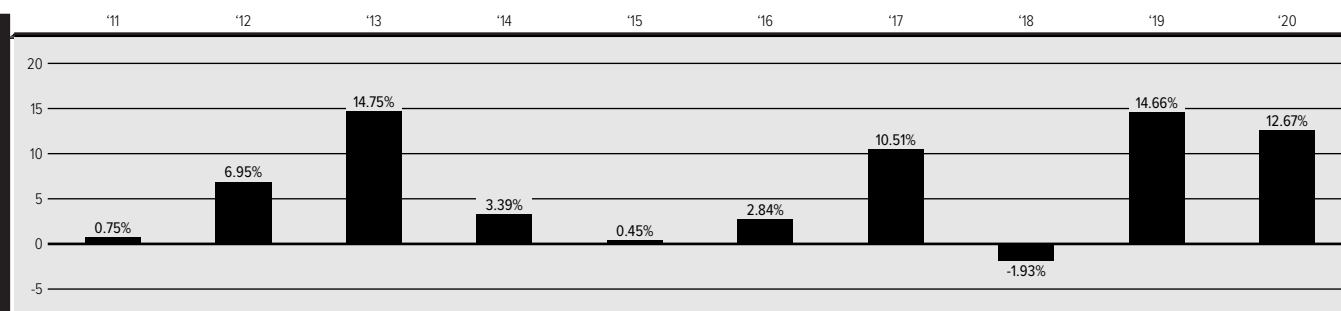
The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of various broad-based securities market indexes. The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

Prior to April 30, 2012, the Portfolio's investment objective was to seek a high level of total return consistent with a conservative level of risk as compared to the other Ivy VIP Pathfinder Portfolios. Effective as of April 30, 2012, the Portfolio changed its investment objective to seeking to provide total return consistent with a conservative level of risk as compared to the other Ivy VIP Pathfinder Portfolios.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 12.39% (the second quarter of 2020) and the lowest quarterly return was -10.22% (the first quarter of 2020).



| Average Annual Total Returns   |                 |                |                |
|--|-----------------|----------------|----------------|
| as of December 31, 2020  | 1 Year          | 5 Years        | 10 Years       |
| <b>Class II</b>  | <b>▲ 12.67%</b> | <b>▲ 7.56%</b> | <b>▲ 6.34%</b> |
| <b>Indexes</b>   |                 |                |                |
| Current Blended Benchmark <sup>1</sup> (reflects no deduction for fees, expenses or taxes)       | ▲ 12.61%        | ▲ 9.05%        | ▲ 7.76%        |
| Russell 3000 Index (reflects no deduction for fees, expenses or taxes)                           | ▲ 20.89%        | ▲ 15.43%       | ▲ 13.79%       |
| Bloomberg Barclays U.S. Credit Index (reflects no deduction for fees, expenses or taxes)         | ▲ 9.35%         | ▲ 6.44%        | ▲ 5.40%        |
| Bloomberg Barclays 1-3 Year Gov/Credit Index (reflects no deduction for fees, expenses or taxes) | ▲ 3.33%         | ▲ 2.21%        | ▲ 1.60%        |
| MSCI EAFE Index (reflects no deduction for fees, expenses or taxes)                              | ▲ 7.82%         | ▲ 7.45%        | ▲ 5.51%        |

<sup>1</sup> The Current Blended Benchmark is computed using a combination of 35% Russell 3000 Index + 35% Bloomberg Barclays U.S. Credit Index + 20% Bloomberg Barclays 1-3 Year Gov/Credit Index + 10% MSCI EAFE Index.

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO).

## Portfolio Managers

F. Chace Brundige, Senior Vice President of IICO, has managed the Portfolio since June 2016; Aaron Young, Vice President of IICO, has managed the Portfolio since October 2016; and W. Jeffery Surles, Senior Vice President of IICO, has managed the Portfolio since February 2018.

## Purchase and Sale of Portfolio Shares

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## Tax Information

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## Payments to Broker-Dealers and other Financial Intermediaries

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Pathfinder Moderate — Managed Volatility

## Objective

To seek to provide total return consistent with a moderate level of risk as compared to the other Ivy VIP Pathfinder Managed Volatility Portfolios, while seeking to manage volatility of investment return.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |              |
|--|--------------|
| (fees paid directly from your investment)                                | N/A          |
| Annual Portfolio Operating Expenses                                      |              |
| (expenses that you pay each year as a % of the value of your investment) | Class II     |
| <b>Management Fees</b>   | 0.19%        |
| <b>Distribution and Service (12b-1) Fees</b>                             | 0.00%        |
| <b>Other Expenses</b>  | 0.04%        |
| <b>Acquired Fund Fees and Expenses<sup>1</sup></b>                       | <u>0.88%</u> |
| <b>Total Annual Portfolio Operating Expenses<sup>2</sup></b>             | <u>1.11%</u> |

<sup>1</sup> *Acquired Fund Fees and Expenses* sets forth the Portfolio's *pro rata* portion of the cumulative expenses charged by the Underlying Funds in which the Portfolio invested during its last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of each Underlying Fund for the Fund's most recent fiscal year.

<sup>2</sup> The *Total Annual Portfolio Operating Expenses* ratio shown in this table does not correlate to the expense ratio shown in the *Financial Highlights* table because that ratio does not include the Acquired Fund Fees and Expenses.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your direct and indirect costs, combined, would be:*

|          | 1 Year       | 3 Years      | 5 Years      | 10 Years       |
|----------|--------------|--------------|--------------|----------------|
| Class II | <u>\$113</u> | <u>\$353</u> | <u>\$612</u> | <u>\$1,352</u> |

## Portfolio Turnover

The Portfolio does not incur transaction costs, such as commissions, when it buys and sells shares of underlying funds (Underlying Funds) that are Portfolios of the Trust (or "turns over" its portfolio), but it could incur transaction costs if it were to buy and sell other types of securities directly (including, but not limited to, derivatives securities described below). If the Portfolio were to buy and sell other types of securities directly, a higher portfolio turnover rate could indicate higher transaction costs. Such costs, if incurred, would not be reflected in annual portfolio operating expenses or in the example and would affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 42% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Pathfinder Moderate — Managed Volatility seeks to achieve its objective by investing primarily in various Underlying Funds and by utilizing a volatility management strategy that is intended to manage volatility of the Portfolio's equity returns. Ivy Investment Management Company (IICO), the Portfolio's investment manager, manages the Portfolio's investments in the Underlying Funds and other assets that are not part of the volatility management strategy. An investment subadviser, Securian Asset Management, Inc. (Securian AM), manages the volatility management strategy of the Portfolio.

Under normal circumstances, IICO allocates approximately 90-95% (although such amounts may be higher than 95%, depending upon market conditions) of the Portfolio's assets among the asset classes below so that approximately 35-50% of the value of this portion of the Portfolio's assets is in the U.S. stocks class, approximately 10-25% of this portion of the Portfolio's assets is in the international/global stocks class, approximately 0-45% of this portion of the Portfolio's assets is in the bonds class, and approximately 10-45% of this portion of the Portfolio's assets is in the short-term investments class. Ivy VIP Pathfinder Moderate — Managed Volatility implements this allocation by investing primarily in the Underlying Funds shown below. The Portfolio typically will invest in Class I shares of an Underlying Fund to the extent offered by the Underlying Fund; otherwise the Portfolio will invest in Class II shares of an Underlying Fund.

Ivy VIP Pathfinder Moderate — Managed Volatility allocates its remaining assets to a volatility management strategy that is intended to manage the volatility of the Portfolio's equity returns in an attempt to stabilize the equity returns of the Portfolio. Securian AM does not intend to attempt to manage the volatility of the Portfolio's fixed-income returns. Securian AM executes this volatility management strategy by increasing or reducing, through the use of exchange-traded futures contracts on certain equity indexes, the Portfolio's exposure to equity assets. For example, when the recent historical volatility of the equity portion of the Portfolio is relatively high, Securian AM will seek to reduce the Portfolio's exposure to equity assets by either selling exchange-traded futures contracts (taking short positions in such contracts) or reducing its long positions in exchange-traded futures contracts. When the recent historical volatility of the equity portion of the Portfolio is relatively low, Securian AM will seek to increase the Portfolio's exposure to equity assets by either purchasing exchange-traded futures contracts (taking long positions in such contracts) or reducing its short positions in exchange-traded futures contracts. Volatility is a statistical measurement of the magnitude of fluctuations in the value of a financial instrument or index over time. Volatility may result in rapid and dramatic price swings.

The amount of Portfolio assets allocated to the volatility management strategy typically will, under normal circumstances, range between 5-10% (although such amounts may be lower than 5%, depending upon market conditions) of the market value of the Portfolio's assets, which will consist primarily of assets maintained as margin for those futures contracts and also may include cash held for use in the strategy. Shorter-term allocations may vary from this 5-10% range. In order to maintain its derivatives positions in the volatility management strategy, IICO may, from time to time, sell certain Portfolio assets, which may include redemption of shares of Underlying Funds.

The use of exchange-traded futures contracts may have the effect of introducing leverage into the Portfolio, since the amount required to enter into such contracts is small in relation to the investment exposure of such contracts. Although the amount of the Portfolio's assets allocated to the volatility management strategy typically will range between 5-10%, the volatility management strategy may seek to increase or decrease the Portfolio's exposure to equity assets by a substantial amount when the recent historical volatility in the equity portion of the Portfolio is relatively high or low and create investment exposure greater than the amount of assets used to implement the strategy. However, the Portfolio's overall exposure to equity assets as a result of investing in exchange-traded futures contracts within the volatility management strategy typically will not exceed the maximum equity allocation shown below or decrease the Portfolio's overall exposure to equity assets below 10% of the Portfolio's assets.

## Investment Process for Investments in Underlying Funds

Ivy VIP Pathfinder Moderate — Managed Volatility's currently anticipated allocation ranges for each asset class, as well as the Portfolio's target allocation of investments among some or all of the Underlying Funds, are summarized in the table below. Shorter-term allocations may vary from the target allocation.

| Asset Class                        | Target Allocations |
|------------------------------------|--------------------|
| <b>U.S. Stocks</b>                 | <b>35-50%</b>      |
| Ivy VIP Core Equity                | 0-20%              |
| Ivy VIP Growth                     | 0-20%              |
| Ivy VIP Mid Cap Growth             | 0-10%              |
| Ivy VIP Small Cap Core             | 0-10%              |
| Ivy VIP Small Cap Growth           | 0-10%              |
| Ivy VIP Value                      | 0-20%              |
| <b>International/Global Stocks</b> | <b>10-25%</b>      |
| Ivy VIP Global Equity Income       | 0-25%              |
| Ivy VIP Global Growth              | 0-25%              |
| Ivy VIP International Core Equity  | 0-25%              |
| <b>Bonds</b>                       | <b>0-45%</b>       |
| Ivy VIP Corporate Bond             | 0-45%              |
| Ivy VIP Global Bond                | 0-15%              |
| Ivy VIP High Income                | 0-10%              |
| <b>Short-Term Investments</b>      | <b>10-45%</b>      |
| Ivy VIP Government Money Market    | 0-45%              |
| Ivy VIP Limited-Term Bond          | 0-45%              |
| <b>Total Allocation</b>            | <b>100%</b>        |

These allocations in the Underlying Funds are projections only and may be changed by IICO from time to time. Actual allocations in the Underlying Funds are not limited to the ranges shown, and ranges may vary from those shown above. IICO monitors Ivy VIP Pathfinder Moderate — Managed Volatility’s holdings and cash flow and will periodically adjust the Portfolio’s asset allocation in the Underlying Funds to realign it with the Portfolio’s risk profile and investment strategies. IICO evaluates Ivy VIP Pathfinder Moderate — Managed Volatility’s asset allocation in the Underlying Funds on an ongoing basis in view of its risk profile and strategies. This means that allocation changes in the Underlying Funds will be made as needed in the view of IICO. IICO applies a long-term investment horizon with respect to Ivy VIP Pathfinder Moderate — Managed Volatility; therefore, allocation changes in the Underlying Funds may not be made in response to short-term market conditions. The Portfolio does not intend to actively trade among the Underlying Funds, nor does it intend to attempt to capture short-term market opportunities.

By owning shares of the Underlying Funds, the Portfolio indirectly holds a well-diversified mixture of both growth-oriented and value-oriented, primarily large-capitalization, U.S. and, to a lesser extent, international/global stocks, as well as a mixture of investment-grade and non-investment-grade corporate bonds, U.S. government securities and money market instruments.

Ivy VIP Pathfinder Moderate — Managed Volatility is intended for investors who have a lower tolerance for risk than more aggressive investors but seek to manage the volatility of their investment and who are seeking both growth and income, who have a longer time horizon, or who are willing to accept moderate short-term price fluctuations in exchange for potential longer-term returns.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio’s shares will change, and you could lose money on your investment. A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Asset Allocation Risk.** The Portfolio’s performance depends on the allocation of its assets (i) between the U.S. Stocks, International/Global Stocks, Bonds and Short-Term Investment asset classes and (ii) among the Underlying Funds. There is a risk that the allocation of assets may skew toward an Underlying Fund that performs poorly relative to other funds, or to the market as a whole, which could result in the Portfolio performing poorly.
- **Derivatives Risk.** The use of derivatives presents several risks, including the risk that these instruments may change in value in a manner that adversely affects the Portfolio’s NAV. Derivatives can be highly complex, can create investment leverage, may perform in unanticipated ways and may be highly volatile, and the Portfolio could lose more than the amount it invests. Derivatives may be difficult to value and, depending on the instrument, may at times be highly illiquid, and the Portfolio may not be able to close out or sell a derivative position at a particular time or at an anticipated price. Moreover, some derivatives are more sensitive to interest rate changes and market price fluctuations

than others. To the extent the judgment of the Investment Manager as to certain anticipated price movements is incorrect, the risk of loss may be greater than if the derivative technique(s) had not been used. When used for hedging, the change in value of the derivative also may not correlate perfectly with the security or other risk being hedged. Suitable derivatives may not be available in all circumstances, and there can be no assurance that the Portfolio will use derivatives to reduce exposure to other risks when that might be beneficial. Derivatives also may be subject to counterparty credit risk, which includes the risk that the Portfolio may sustain a loss as a result of the insolvency or bankruptcy of, or other non-compliance with the terms in the agreement for the derivatives documentation by, another party to the transaction. When the Portfolio uses derivatives, it will provide margin or collateral bilaterally and/or segregate cash or other liquid assets in a manner that satisfies contractual undertakings and regulatory requirements. The need to provide margin or collateral and/or segregate assets could limit the Portfolio's ability to pursue other opportunities as they arise. Ongoing changes to regulation of the derivatives markets and potential changes in the regulation of funds using derivatives instruments could change the Portfolio's opportunities to pursue its investment strategies.

■ **Fund of Funds Risk.** The ability of the Portfolio to meet its investment objective is directly related to its target allocations among the Underlying Funds and the ability of those funds to meet their investment objectives. The Portfolio's share price will likely change daily based on the performance of the Underlying Funds in which it invests. In general, the Portfolio is subject to the same risks as those of the Underlying Funds it holds. Because the Portfolio is weighted towards Underlying Funds that invest in stocks, both U.S. and foreign, including mid- and small-capitalization stocks, as well as bonds and short-term instruments, the Portfolio is more subject to the risks associated with those investments.

■ **Equity Funds Risk.** The Portfolio invests in equity funds, for which a principal risk is market risk, the chance that stock prices overall will decline over short or even long periods of time. This includes the risk that returns from the stock market segments in which the Portfolio is most heavily indirectly invested may underperform other asset classes, other market segments or the overall stock market. The values of certain types of stocks, such as stocks of small-capitalization companies and foreign companies, may fluctuate more widely than others. The prices of small-capitalization company stocks may be based, in part, on future expectations rather than current achievements.

■ **Bond Funds Risk.** A portion of the Portfolio's assets may be invested in funds that have exposure to bonds and other fixed-income securities. The principal risks that may be encountered by such investments are: bond prices overall may decline when interest rates rise (interest rate risk); a bond issuer may fail to pay interest and principal in a timely manner (credit risk); a Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security (income risk); a rise in interest rates could cause borrowers to pay back the principal on certain debt securities more slowly than expected, thus lengthening the average life of such securities and may magnify the effect of the rate increase on the price of such securities (extension risk); and a fixed-income security issuer may repay a higher yielding bond before its maturity date during periods of falling interest rates (reinvestment risk). Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.

■ **Foreign Securities Risk.** A portion of the Portfolio's assets may be invested in funds with significant exposure to foreign securities, including exposure to emerging markets. Investing in foreign securities involves a number of economic, financial, legal, and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending on the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that an Underlying Fund holds material positions in such suspended securities, its ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

Sovereign debt instruments also are subject to the risk that a government or agency issuing the debt may be unable to pay interest and/or repay principal due to cash flow problems, insufficient foreign currency reserves or political concerns. In such instance, an Underlying Fund may have limited recourse against the issuing government or agency. Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more



susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets. Furthermore, because foreign securities may be denominated in foreign currencies, the value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations.

- **Investment Company Securities Risk.** Investment in other investment companies typically reflects the risks of the types of securities in which the investment companies invest. When the Portfolio invests in another investment company, shareholders of the Portfolio bear their proportionate share of the other investment company's fees and expenses as well as their share of the Portfolio's fees and expenses, which could result in the duplication of certain fees.
- **Leveraging Risk.** The risk that certain transactions of the Portfolio, such as transactions in derivative instruments, may give rise to leverage, causing the Portfolio to be more volatile than if it had not been leveraged and can result in losses to the Portfolio that exceed the amount originally invested. Because of leverage, the Portfolio's investment exposure may exceed the Portfolio's net assets.
- **Managed Volatility Strategy Risk.** Securian AM may be unsuccessful in managing volatility, and there is a risk that the Portfolio may experience a high level of volatility in its returns. The Portfolio's holdings are subject to price volatility, and the Portfolio may not be any less volatile than the market as a whole and could be more volatile. In addition, there can be no guarantee that the Portfolio will achieve its goal of managing the volatility of its equity returns. Furthermore, while the management of volatility seeks competitive returns with more consistent volatility, the management of volatility does not ensure that the Portfolio will deliver competitive returns. Additionally, even if successful, the Portfolio's management of volatility also may generally result in the Portfolio's NAV increasing to a lesser degree than the markets (*e.g.*, in a rising market with relatively high volatility) or decreasing to a greater degree than the market (*e.g.*, in a declining market with relatively low volatility). The Portfolio's managed volatility strategy may expose the Portfolio to losses (some of which may be sudden) to which it would not have otherwise been exposed if it invested only in Underlying Funds. Additionally, the derivatives used by Securian AM to hedge the value of the Portfolio are not identical to the Underlying Funds, and as a result, the Portfolio's investment in derivatives may decline in value at the same time as the Portfolio's investment in Underlying Funds. Securian AM does not intend to attempt to manage the volatility of the Portfolio's fixed-income returns. It is possible that the fixed-income portion of the Portfolio, whose volatility would not be managed by the volatility management strategy, could become more volatile than the equity portion of the Portfolio.
- **Management Risk.** Portfolio performance is primarily dependent on the Investment Manager's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds. Furthermore, IICO may alter the asset allocation of the Portfolio at its discretion. A material change in the asset allocation could affect both the level of risk and the potential for gain or loss.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, a relatively high percentage of the Portfolio's assets may have indirect exposure to stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Other Risks Applicable to a Fund of Funds Structure.** There are other risks associated with a Fund of Funds structure. IICO has the authority to select and replace Underlying Funds. IICO is subject to a potential conflict of interest in doing so because IICO serves as the investment manager to the Underlying Funds and the advisory fees paid by some of the Underlying Funds are higher than fees paid by other Underlying Funds. It is important to note, however, that IICO has a fiduciary duty to the Portfolio and must act in the Portfolio's best interests.

Additional information about the risks of the Underlying Funds is provided in the Portfolio's prospectus in their respective sections and in the section entitled *Additional Information about Principal Investment Strategies, Other Investments and Risks*.



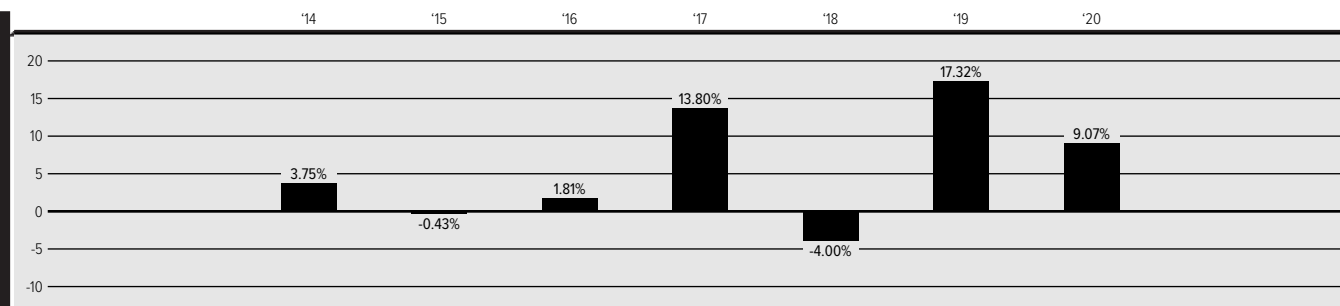
## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of various broad-based securities market indexes. The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

### Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 9.04% (the fourth quarter of 2020) and the lowest quarterly return was -11.06% (the first quarter of 2020).

### Average Annual Total Returns

| as of December 31, 2020  | 1 Year       | 5 Years      | Life of Class |
|--|--------------|--------------|---------------|
| <b>Class II (began on 8-1-2013)</b>  | <b>9.07%</b> | <b>7.31%</b> | <b>6.37%</b>  |
| <b>Indexes</b>   |              |              |               |
| Current Blended Benchmark <sup>1</sup> (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013)       | 14.14%       | 10.46%       | 8.85%         |
| Russell 3000 Index (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013)                           | 20.89%       | 15.43%       | 13.39%        |
| Bloomberg Barclays U.S. Credit Index (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013)         | 9.35%        | 6.44%        | 5.43%         |
| MSCI EAFE Index (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013)                              | 7.82%        | 7.45%        | 5.61%         |
| Bloomberg Barclays 1-3 Year Gov/Credit Index (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013) | 3.33%        | 2.21%        | 1.73%         |

<sup>1</sup> The Current Blended Benchmark is computed using a combination of 45% Russell 3000 Index + 25% Bloomberg Barclays U.S. Credit Index + 20% MSCI EAFE Index + 10% Bloomberg Barclays 1-3 Year Gov/Credit Index.

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO) and subadvised by Securian Asset Management, Inc. (Securian AM).

## Portfolio Managers

F. Chace Brundige, Senior Vice President of IICO, has managed the Portfolio since June 2016; Aaron Young, Vice President of IICO, has managed the Portfolio since October 2016; and W. Jeffery Surles, Senior Vice President of IICO, has managed the Portfolio since February 2018.

Merlin Erickson, Vice President and Portfolio Manager of Securian AM, and Jeremy Gogos, Portfolio Manager of Securian AM, have managed the volatility management strategy of the Portfolio since December 2017, and Craig M. Stapleton, Vice President and Portfolio Manager of Securian AM, has managed the volatility management strategy of the Portfolio since its inception in July 2013.

## **Purchase and Sale of Portfolio Shares**

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## **Tax Information**

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility

## Objective

To seek to provide growth of capital, but also to seek income consistent with a moderately aggressive level of risk as compared to the other Ivy VIP Pathfinder Managed Volatility Portfolios, while seeking to manage volatility of investment return.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

| Shareholder Fees   |          |
|--|----------|
| (fees paid directly from your investment)                                | N/A      |
| Annual Portfolio Operating Expenses                                      |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| Management Fees  | 0.20%    |
| Distribution and Service (12b-1) Fees                                    | 0.00%    |
| Other Expenses   | 0.09%    |
| Acquired Fund Fees and Expenses <sup>1</sup>                             | 0.91%    |
| Total Annual Portfolio Operating Expenses <sup>2</sup>                   | 1.20%    |

<sup>1</sup> Acquired Fund Fees and Expenses sets forth the Portfolio's *pro rata* portion of the cumulative expenses charged by the Underlying Funds in which the Portfolio invested during its last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of each Underlying Fund for the Fund's most recent fiscal year.

<sup>2</sup> The Total Annual Portfolio Operating Expenses ratio shown in this table does not correlate to the expense ratio shown in the Financial Highlights table because that ratio does not include the Acquired Fund Fees and Expenses.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your direct and indirect costs, combined, would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$122  | \$381   | \$660   | \$1,455  |

## Portfolio Turnover

The Portfolio does not incur transaction costs, such as commissions, when it buys and sells shares of underlying funds (Underlying Funds) that are Portfolios of the Trust (or "turns over" its portfolio), but it could incur transaction costs if it were to buy and sell other types of securities directly (including, but not limited to, derivatives securities described below). If the Portfolio were to buy and sell other types of securities directly, a higher portfolio turnover rate could indicate higher transaction costs. Such costs, if incurred, would not be reflected in annual portfolio operating expenses or in the example and would affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 41% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility seeks to achieve its objective by investing primarily in various Underlying Funds and by utilizing a volatility management strategy that is intended to manage volatility of the Portfolio's equity returns. Ivy Investment Management Company (IICO), the Portfolio's investment manager, manages the Portfolio's investments in the Underlying Funds and other assets that are not part of the volatility management strategy. An investment subadviser, Securian Asset Management, Inc. (Securian AM), manages the volatility management strategy of the Portfolio.

Under normal circumstances, IICO allocates approximately 90-95% (although such amounts may be higher than 95%, depending upon market conditions) of the Portfolio's assets among the asset classes below so that approximately 40-55% of the value of this portion of the Portfolio's assets is in the U.S. stocks class, approximately 15-30% of this portion of the Portfolio's assets is in the international/global stocks class, approximately 0-40% of this portion of the Portfolio's assets is in the bonds class, and approximately 5-35% of this portion of the Portfolio's assets is in the short-term investments class. Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility implements this allocation by investing primarily in the Underlying Funds shown below. The Portfolio typically will invest in Class I shares of an Underlying Fund to the extent offered by the Underlying Fund; otherwise the Portfolio will invest in Class II shares of an Underlying Fund.

Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility allocates its remaining assets to a volatility management strategy that is intended to manage the volatility of the Portfolio's equity returns in an attempt to stabilize the equity returns of the Portfolio. Securian AM does not intend to attempt to manage the volatility of the Portfolio's fixed-income returns. Securian AM executes this volatility management strategy by increasing or reducing, through the use of exchange-traded futures contracts on certain equity indexes, the Portfolio's exposure to equity assets. For example, when the recent historical volatility of the equity portion of the Portfolio is relatively high, Securian AM will seek to reduce the Portfolio's exposure to equity assets by either selling exchange-traded futures contracts (taking short positions in such contracts) or reducing its long positions in exchange-traded futures contracts. When the recent historical volatility of the equity portion of the Portfolio is relatively low, Securian AM will seek to increase the Portfolio's exposure to equity assets by either purchasing exchange-traded futures contracts (taking long positions in such contracts) or reducing its short positions in exchange-traded futures contracts. Volatility is a statistical measurement of the magnitude of fluctuations in the value of a financial instrument or index over time. Volatility may result in rapid and dramatic price swings.

The amount of Portfolio assets allocated to the volatility management strategy typically will, under normal circumstances, range between 5-10% (although such amounts may be lower than 5%, depending upon market conditions) of the market value of the Portfolio's assets, which will consist primarily of assets maintained as margin for those futures contracts and also may include cash held for use in the strategy. Shorter-term allocations may vary from this 5-10% range. In order to maintain its derivatives positions in the volatility management strategy, IICO may, from time to time, sell certain Portfolio assets, which may include redemption of shares of Underlying Funds.

The use of exchange-traded futures contracts may have the effect of introducing leverage into the Portfolio, since the amount required to enter into such contracts is small in relation to the investment exposure of such contracts. Although the amount of the Portfolio's assets allocated to the volatility management strategy typically will range between 5-10%, the volatility management strategy may seek to increase or decrease the Portfolio's exposure to equity assets by a substantial amount when the recent historical volatility in the equity portion of the Portfolio is relatively high or low and create investment exposure greater than the amount of assets used to implement the strategy. However, the Portfolio's overall exposure to equity assets as a result of investing in exchange-traded futures contracts within the volatility management strategy typically will not exceed the maximum equity allocation shown below or decrease the Portfolio's overall exposure to equity assets below 20% of the Portfolio's assets.

## Investment Process for Investments in Underlying Funds

Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility's currently anticipated allocation ranges for each asset class, as well as the Portfolio's target allocation of investments among some or all of the Underlying Funds, are summarized in the table below. Shorter-term allocations may vary from the target allocation.

| Asset Class                        | Target Allocations |
|------------------------------------|--------------------|
| <b>U.S. Stocks</b>                 | <b>40-55%</b>      |
| Ivy VIP Core Equity                | 0-20%              |
| Ivy VIP Growth                     | 0-20%              |
| Ivy VIP Mid Cap Growth             | 0-10%              |
| Ivy VIP Small Cap Core             | 0-10%              |
| Ivy VIP Small Cap Growth           | 0-10%              |
| Ivy VIP Value                      | 0-20%              |
| <b>International/Global Stocks</b> | <b>15-30%</b>      |
| Ivy VIP Global Equity Income       | 0-30%              |
| Ivy VIP Global Growth              | 0-30%              |
| Ivy VIP International Core Equity  | 0-30%              |
| <b>Bonds</b>                       | <b>0-40%</b>       |
| Ivy VIP Corporate Bond             | 0-40%              |
| Ivy VIP Global Bond                | 0-15%              |
| Ivy VIP High Income                | 0-10%              |
| <b>Short-Term Investments</b>      | <b>5-35%</b>       |
| Ivy VIP Government Money Market    | 0-35%              |
| Ivy VIP Limited-Term Bond          | 0-35%              |
| <b>Total Allocation</b>            | <b>100%</b>        |

These allocations in the Underlying Funds are projections only and may be changed by IICO from time to time. Actual allocations in the Underlying Funds are not limited to the ranges shown, and ranges may vary from those shown above. IICO monitors Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility's holdings and cash flow and will periodically adjust the Portfolio's asset allocation in the Underlying Funds to realign it with the Portfolio's risk profile and investment strategies. IICO evaluates Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility's asset allocation in the Underlying Funds on an ongoing basis in view of its risk profile and strategies. This means that allocation changes in the Underlying Funds will be made as needed in the view of IICO. IICO applies a long-term investment horizon with respect to Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility; therefore, allocation changes in the Underlying Funds may not be made in response to short-term market conditions. The Portfolio does not intend to actively trade among the Underlying Funds, nor does it intend to attempt to capture short-term market opportunities.

By owning shares of the Underlying Funds, the Portfolio indirectly holds a well-diversified mixture of both growth-oriented and value-oriented U.S. and international/global stocks and, to a lesser extent, a mixture of investment-grade and non-investment-grade corporate bonds, U.S. government securities and money market instruments. Although the majority of the Portfolio's indirect stock holdings are of U.S. and foreign large-capitalization companies, the Portfolio is likely to have some exposure to mid- and small-capitalization companies.

Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility is intended for investors who want to maximize returns over the long term, who have a tolerance for possible short-term losses and who seek some additional diversification but also seek to manage the volatility of their investment.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio's shares will change, and you could lose money on your investment. A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

■ **Asset Allocation Risk.** The Portfolio's performance depends on the allocation of its assets (i) between the U.S. Stocks, International/Global Stocks, Bonds and Short-Term Investment asset classes and (ii) among the Underlying Funds. There is a risk that the allocation of assets may skew toward an Underlying Fund that performs poorly relative to other funds, or to the market as a whole, which could result in the Portfolio performing poorly.

■ **Derivatives Risk.** The use of derivatives presents several risks, including the risk that these instruments may change in value in a manner that adversely affects the Portfolio's NAV. Derivatives can be highly complex, can create investment leverage, may perform in unanticipated ways and may be highly volatile, and the Portfolio could lose more than the amount it invests. Derivatives may be difficult to value and, depending on the instrument, may at times be highly illiquid, and the Portfolio may not be able to close out or sell a derivative position at a particular time or at an anticipated price. Moreover, some derivatives are more sensitive to interest rate changes and market price fluctuations

than others. To the extent the judgment of the Investment Manager as to certain anticipated price movements is incorrect, the risk of loss may be greater than if the derivative technique(s) had not been used. When used for hedging, the change in value of the derivative also may not correlate perfectly with the security or other risk being hedged. Suitable derivatives may not be available in all circumstances, and there can be no assurance that the Portfolio will use derivatives to reduce exposure to other risks when that might be beneficial. Derivatives also may be subject to counterparty credit risk, which includes the risk that the Portfolio may sustain a loss as a result of the insolvency or bankruptcy of, or other non-compliance with the terms in the agreement for the derivatives documentation by, another party to the transaction. When the Portfolio uses derivatives, it will provide margin or collateral bilaterally and/or segregate cash or other liquid assets in a manner that satisfies contractual undertakings and regulatory requirements. The need to provide margin or collateral and/or segregate assets could limit the Portfolio's ability to pursue other opportunities as they arise. Ongoing changes to regulation of the derivatives markets and potential changes in the regulation of funds using derivatives instruments could change the Portfolio's opportunities to pursue its investment strategies.

■ **Fund of Funds Risk.** The ability of the Portfolio to meet its investment objective is directly related to its target allocations among the Underlying Funds and the ability of those funds to meet their investment objectives. The Portfolio's share price will likely change daily based on the performance of the Underlying Funds in which it invests. In general, the Portfolio is subject to the same risks as those of the Underlying Funds it holds. Because the Portfolio is weighted towards Underlying Funds that invest in stocks, both U.S. and foreign, including mid- and small-capitalization stocks, as well as bonds and short-term instruments, the Portfolio is more subject to the risks associated with those investments.

■ **Equity Funds Risk.** The Portfolio invests in equity funds, for which a principal risk is market risk, the chance that stock prices overall will decline over short or even long periods of time. This includes the risk that returns from the stock market segments in which the Portfolio is most heavily indirectly invested may underperform other asset classes, other market segments or the overall stock market. The values of certain types of stocks, such as stocks of small-capitalization companies and foreign companies, may fluctuate more widely than others. The prices of small-capitalization company stocks may be based, in part, on future expectations rather than current achievements.

■ **Bond Funds Risk.** A portion of the Portfolio's assets may be invested in funds that have exposure to bonds and other fixed-income securities. The principal risks that may be encountered by such investments are: bond prices overall may decline when interest rates rise (interest rate risk); a bond issuer may fail to pay interest and principal in a timely manner (credit risk); a Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security (income risk); a rise in interest rates could cause borrowers to pay back the principal on certain debt securities more slowly than expected, thus lengthening the average life of such securities and may magnify the effect of the rate increase on the price of such securities (extension risk); and a fixed-income security issuer may repay a higher yielding bond before its maturity date during periods of falling interest rates (reinvestment risk). Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.

■ **Foreign Securities Risk.** A portion of the Portfolio's assets may be invested in funds with significant exposure to foreign securities, including exposure to emerging markets. Investing in foreign securities involves a number of economic, financial, legal, and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending on the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that an Underlying Fund holds material positions in such suspended securities, its ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

Sovereign debt instruments also are subject to the risk that a government or agency issuing the debt may be unable to pay interest and/or repay principal due to cash flow problems, insufficient foreign currency reserves or political concerns. In such instance, an Underlying Fund may have limited recourse against the issuing government or agency. Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more



susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets. Furthermore, because foreign securities may be denominated in foreign currencies, the value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations.

- **Investment Company Securities Risk.** Investment in other investment companies typically reflects the risks of the types of securities in which the investment companies invest. When the Portfolio invests in another investment company, shareholders of the Portfolio bear their proportionate share of the other investment company's fees and expenses as well as their share of the Portfolio's fees and expenses, which could result in the duplication of certain fees.
- **Leveraging Risk.** The risk that certain transactions of the Portfolio, such as transactions in derivative instruments, may give rise to leverage, causing the Portfolio to be more volatile than if it had not been leveraged and can result in losses to the Portfolio that exceed the amount originally invested. Because of leverage, the Portfolio's investment exposure may exceed the Portfolio's net assets.
- **Managed Volatility Strategy Risk.** Securian AM may be unsuccessful in managing volatility, and there is a risk that the Portfolio may experience a high level of volatility in its returns. The Portfolio's holdings are subject to price volatility, and the Portfolio may not be any less volatile than the market as a whole and could be more volatile. In addition, there can be no guarantee that the Portfolio will achieve its goal of managing the volatility of its equity returns. Furthermore, while the management of volatility seeks competitive returns with more consistent volatility, the management of volatility does not ensure that the Portfolio will deliver competitive returns. Additionally, even if successful, the Portfolio's management of volatility also may generally result in the Portfolio's NAV increasing to a lesser degree than the markets (e.g., in a rising market with relatively high volatility) or decreasing to a greater degree than the market (e.g., in a declining market with relatively low volatility). The Portfolio's managed volatility strategy may expose the Portfolio to losses (some of which may be sudden) to which it would not have otherwise been exposed if it invested only in Underlying Funds. Additionally, the derivatives used by Securian AM to hedge the value of the Portfolio are not identical to the Underlying Funds, and as a result, the Portfolio's investment in derivatives may decline in value at the same time as the Portfolio's investment in Underlying Funds. Securian AM does not intend to attempt to manage the volatility of the Portfolio's fixed-income returns. It is possible that the fixed-income portion of the Portfolio, whose volatility would not be managed by the volatility management strategy, could become more volatile than the equity portion of the Portfolio.
- **Management Risk.** Portfolio performance is primarily dependent on the Investment Manager's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds. Furthermore, IICO may alter the asset allocation of the Portfolio at its discretion. A material change in the asset allocation could affect both the level of risk and the potential for gain or loss.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, a relatively high percentage of the Portfolio's assets may have indirect exposure to stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Other Risks Applicable to a Fund of Funds Structure.** There are other risks associated with a Fund of Funds structure. IICO has the authority to select and replace Underlying Funds. IICO is subject to a potential conflict of interest in doing so because IICO serves as the investment manager to the Underlying Funds and the advisory fees paid by some of the Underlying Funds are higher than fees paid by other Underlying Funds. It is important to note, however, that IICO has a fiduciary duty to the Portfolio and must act in the Portfolio's best interests.

Additional information about the risks of the Underlying Funds is provided in the Portfolio's prospectus in their respective sections and in the section entitled *Additional Information about Principal Investment Strategies, Other Investments and Risks*.

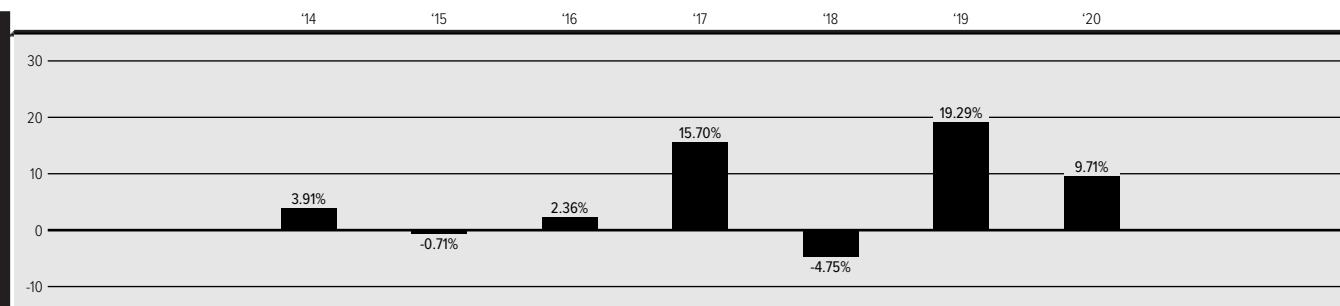
## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of various broad-based securities market indexes. The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

### Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 10.47% (the fourth quarter of 2020) and the lowest quarterly return was -13.29% (the first quarter of 2020).

### Average Annual Total Returns

| as of December 31, 2020  | 1 Year       | 5 Years      | Life of Class |
|--|--------------|--------------|---------------|
| <b>Class II (began on 8-1-2013)</b>  | <b>9.71%</b> | <b>8.10%</b> | <b>6.98%</b>  |
| <b>Indexes</b>   |              |              |               |
| Current Blended Benchmark <sup>1</sup> (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013)       | 14.82%       | 11.15%       | 9.42%         |
| Russell 3000 Index (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013)                           | 20.89%       | 15.43%       | 13.39%        |
| MSCI EAFE Index (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013)                              | 7.82%        | 7.45%        | 5.61%         |
| Bloomberg Barclays U.S. Credit Index (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013)         | 9.35%        | 6.44%        | 5.43%         |
| Bloomberg Barclays 1-3 Year Gov/Credit Index (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013) | 3.33%        | 2.21%        | 1.73%         |

<sup>1</sup> The Current Blended Benchmark is computed using a combination of 50% Russell 3000 Index +25% MSCI EAFE Index + 20% Bloomberg Barclays U.S. Credit Index + 5% Bloomberg Barclays 1-3 Year Gov/Credit Index.

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO) and subadvised by Securian Asset Management, Inc. (Securian AM).

## Portfolio Managers

F. Chace Brundige, Senior Vice President of IICO, has managed the Portfolio since June 2016; Aaron Young, Vice President of IICO, has managed the Portfolio since October 2016; and W. Jeffery Surles, Senior Vice President of IICO, has managed the Portfolio since February 2018.

Merlin Erickson, Vice President and Portfolio Manager of Securian AM, and Jeremy Gogos, Portfolio Manager of Securian AM, have managed the volatility management strategy of the Portfolio since December 2017, and Craig M. Stapleton, Vice President and Portfolio Manager of Securian AM, has managed the volatility management strategy of the Portfolio since its inception in July 2013.

## **Purchase and Sale of Portfolio Shares**

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## **Tax Information**

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# Ivy VIP Pathfinder Moderately Conservative — Managed Volatility

## Objective

To seek to provide total return consistent with a moderately conservative level of risk as compared to the other Ivy VIP Pathfinder Managed Volatility Portfolios, while seeking to manage volatility of investment return.

## Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Portfolio. The table below does not reflect any fees and expenses imposed under the variable life insurance policies and variable annuity contracts (collectively, Policies) through which this Portfolio is offered. See the Policy prospectus for a description of those fees and expenses.

|  |          |
|--|----------|
| <b>Shareholder Fees</b>  |          |
| (fees paid directly from your investment)                                | N/A      |
| <b>Annual Portfolio Operating Expenses</b>                               |          |
| (expenses that you pay each year as a % of the value of your investment) | Class II |
| <b>Management Fees</b>   | 0.20%    |
| <b>Distribution and Service (12b-1) Fees</b>                             | 0.00%    |
| <b>Other Expenses</b>  | 0.10%    |
| <b>Acquired Fund Fees and Expenses<sup>1</sup></b>                       | 0.85%    |
| <b>Total Annual Portfolio Operating Expenses<sup>2</sup></b>             | 1.15%    |

<sup>1</sup> *Acquired Fund Fees and Expenses* sets forth the Portfolio's *pro rata* portion of the cumulative expenses charged by the Underlying Funds in which the Portfolio invested during its last fiscal year. The actual Acquired Fund Fees and Expenses will vary with changes in the allocations of the Portfolio's assets. The Acquired Fund Fees and Expenses shown are based on the total expense ratio of each Underlying Fund for the Fund's most recent fiscal year.

<sup>2</sup> The *Total Annual Portfolio Operating Expenses* ratio shown in this table does not correlate to the expense ratio shown in the *Financial Highlights* table because that ratio does not include the Acquired Fund Fees and Expenses.

## Example

*This example is intended to help you compare the cost of investing in the shares of the Portfolio with the cost of investing in other portfolios. This example does not reflect any fees and expenses imposed under the Policies.*

*The example assumes that you invest \$10,000 in the shares of the Portfolio for the time periods indicated. The example also assumes that your investment has a 5% return each year and that the Portfolio's operating expenses remain the same. The costs are the same for each time period if you continue to hold your shares or if you redeem all your shares at the end of those periods. Although your actual costs may be higher or lower, based on these assumptions, your direct and indirect costs, combined, would be:*

|          | 1 Year | 3 Years | 5 Years | 10 Years |
|----------|--------|---------|---------|----------|
| Class II | \$117  | \$365   | \$633   | \$1,398  |

## Portfolio Turnover

The Portfolio does not incur transaction costs, such as commissions, when it buys and sells shares of underlying funds (Underlying Funds) that are Portfolios of the Trust (or "turns over" its portfolio), but it could incur transaction costs if it were to buy and sell other types of securities directly (including, but not limited to, derivatives securities described below). If the Portfolio were to buy and sell other types of securities directly, a higher portfolio turnover rate could indicate higher transaction costs. Such costs, if incurred, would not be reflected in annual portfolio operating expenses or in the example and would affect the Portfolio's performance. During the most recent fiscal year, the Portfolio's portfolio turnover rate was 45% of the average value of its portfolio.

## Principal Investment Strategies

Ivy VIP Pathfinder Moderately Conservative — Managed Volatility seeks to achieve its objective by investing primarily in various Underlying Funds and by utilizing a volatility management strategy that is intended to manage volatility of the Portfolio's equity returns. Ivy Investment Management Company (IICO), the Portfolio's investment manager, manages the Portfolio's investments in the Underlying Funds and other assets that are not part of the volatility management strategy. An investment subadviser, Securian Asset Management, Inc. (Securian AM), manages the volatility management strategy of the Portfolio.

Under normal circumstances, IICO allocates approximately 90-95% (although such amounts may be higher than 95%, depending upon market conditions) of the Portfolio's assets among the asset classes below so that approximately 30-45% of the value of this portion of the Portfolio's assets is in the U.S. stocks class, approximately 5-20% of this portion of the Portfolio's assets is in the international/global stocks class, approximately 0-50% of this portion of the Portfolio's assets is in the bonds class, and approximately 15-55% of this portion of the Portfolio's assets is in the short-term investments class. Ivy VIP Pathfinder Moderately Conservative — Managed Volatility implements this allocation by investing primarily in the Underlying Funds shown below. The Portfolio typically will invest in Class I shares of an Underlying Fund to the extent offered by the Underlying Fund; otherwise the Portfolio will invest in Class II shares of an Underlying Fund.

Ivy VIP Pathfinder Moderately Conservative — Managed Volatility allocates its remaining assets to a volatility management strategy that is intended to manage the volatility of the Portfolio's equity returns in an attempt to stabilize the equity returns of the Portfolio. Securian AM does not intend to attempt to manage the volatility of the Portfolio's fixed-income returns. Securian AM executes this volatility management strategy by increasing or reducing, through the use of exchange-traded futures contracts on certain equity indexes, the Portfolio's exposure to equity assets. For example, when the recent historical volatility of the equity portion of the Portfolio is relatively high, Securian AM will seek to reduce the Portfolio's exposure to equity assets by either selling exchange-traded futures contracts (taking short positions in such contracts) or reducing its long positions in exchange-traded futures contracts. When the recent historical volatility of the equity portion of the Portfolio is relatively low, Securian AM will seek to increase the Portfolio's exposure to equity assets by either purchasing exchange-traded futures contracts (taking long positions in such contracts) or reducing its short positions in exchange-traded futures contracts. Volatility is a statistical measurement of the magnitude of fluctuations in the value of a financial instrument or index over time. Volatility may result in rapid and dramatic price swings.

The amount of Portfolio assets allocated to the volatility management strategy typically will, under normal circumstances, range between 5-10% (although such amounts may be lower than 5%, depending upon market conditions) of the market value of the Portfolio's assets, which will consist primarily of assets maintained as margin for those futures contracts and also may include cash held for use in the strategy. Shorter-term allocations may vary from this 5-10% range. In order to maintain its derivatives positions in the volatility management strategy, IICO may, from time to time, sell certain Portfolio assets, which may include redemption of shares of Underlying Funds.

The use of exchange-traded futures contracts may have the effect of introducing leverage into the Portfolio, since the amount required to enter into such contracts is small in relation to the investment exposure of such contracts. Although the amount of the Portfolio's assets allocated to the volatility management strategy typically will range between 5-10%, the volatility management strategy may seek to increase or decrease the Portfolio's exposure to equity assets by a substantial amount when the recent historical volatility in the equity portion of the Portfolio is relatively high or low and create investment exposure greater than the amount of assets used to implement the strategy. However, the Portfolio's overall exposure to equity assets as a result of investing in exchange-traded futures contracts within the volatility management strategy typically will not exceed the maximum equity allocation shown below or decrease the Portfolio's overall exposure to equity assets below 10% of the Portfolio's assets.

## Investment Process for Investments in Underlying Funds

Ivy VIP Pathfinder Moderately Conservative — Managed Volatility's currently anticipated allocation ranges for each asset class, as well as the Portfolio's target allocation of investments among some or all of the Underlying Funds, are summarized in the table below. Shorter-term allocations may vary from the target allocation.

| Asset Class                        | Target Allocations |
|------------------------------------|--------------------|
| <b>U.S. Stocks</b>                 | <b>30-45%</b>      |
| Ivy VIP Core Equity                | 0-15%              |
| Ivy VIP Growth                     | 0-15%              |
| Ivy VIP Mid Cap Growth             | 0-10%              |
| Ivy VIP Small Cap Core             | 0-10%              |
| Ivy VIP Small Cap Growth           | 0-10%              |
| Ivy VIP Value                      | 0-15%              |
| <b>International/Global Stocks</b> | <b>5-20%</b>       |
| Ivy VIP Global Equity Income       | 0-20%              |
| Ivy VIP Global Growth              | 0-20%              |
| Ivy VIP International Core Equity  | 0-20%              |
| <b>Bonds</b>                       | <b>0-50%</b>       |
| Ivy VIP Corporate Bond             | 0-50%              |
| Ivy VIP Global Bond                | 0-20%              |
| Ivy VIP High Income                | 0-5%               |
| <b>Short-Term Investments</b>      | <b>15-55%</b>      |
| Ivy VIP Government Money Market    | 0-55%              |
| Ivy VIP Limited-Term Bond          | 0-55%              |
| <b>Total Allocation</b>            | <b>100%</b>        |

These allocations in the Underlying Funds are projections only and may be changed by IICO from time to time. Actual allocations in the Underlying Funds are not limited to the ranges shown and ranges may vary from those shown above. IICO monitors Ivy VIP Pathfinder Moderately Conservative — Managed Volatility’s holdings and cash flow and will periodically adjust the Portfolio’s asset allocation in the Underlying Funds to realign it with the Portfolio’s risk profile and investment strategies. IICO evaluates Ivy VIP Pathfinder Moderately Conservative — Managed Volatility’s asset allocation in the Underlying Funds on an ongoing basis in view of its risk profile and strategies. This means that allocation changes in the Underlying Funds will be made as needed in the view of IICO. IICO applies a long-term investment horizon with respect to Ivy VIP Pathfinder Moderately Conservative — Managed Volatility; therefore, allocation changes in the Underlying Funds may not be made in response to short-term market conditions. The Portfolio does not intend to actively trade among the Underlying Funds, nor does it intend to attempt to capture short-term market opportunities.

By owning shares of the Underlying Funds, the Portfolio indirectly holds a diversified mixture of stocks of U.S. and, to a lesser extent, international/global stocks that typically are large-capitalization; the Portfolio also indirectly holds a mixture of investment-grade corporate bonds, U.S. government securities and, to a lesser extent, a mixture of non-investment-grade corporate bonds and money market instruments.

Ivy VIP Pathfinder Moderately Conservative — Managed Volatility is intended for investors who have a lower tolerance for risk but seek to manage volatility of their investment and whose primary goal is income, who have a shorter time horizon or who are willing to accept some amount of market volatility in exchange for greater potential income and growth.

## Principal Investment Risks

As with any mutual fund, the value of the Portfolio’s shares will change, and you could lose money on your investment. A variety of factors can affect the investment performance of the Portfolio and prevent it from achieving its objective. These include:

- **Asset Allocation Risk.** The Portfolio’s performance depends on the allocation of its assets (i) between the U.S. Stocks, International/Global Stocks, Bonds and Short-Term Investment asset classes and (ii) among the Underlying Funds. There is a risk that the allocation of assets may skew toward an Underlying Fund that performs poorly relative to other funds, or to the market as a whole, which could result in the Portfolio performing poorly.
- **Derivatives Risk.** The use of derivatives presents several risks, including the risk that these instruments may change in value in a manner that adversely affects the Portfolio’s NAV. Derivatives can be highly complex, can create investment leverage, may perform in unanticipated ways and may be highly volatile, and the Portfolio could lose more than the amount it invests. Derivatives may be difficult to value and, depending on the instrument, may at times be highly illiquid, and the Portfolio may not be able to close out or sell a derivative position at a particular time or at an



anticipated price. Moreover, some derivatives are more sensitive to interest rate changes and market price fluctuations than others. To the extent the judgment of the Investment Manager as to certain anticipated price movements is incorrect, the risk of loss may be greater than if the derivative technique(s) had not been used. When used for hedging, the change in value of the derivative also may not correlate perfectly with the security or other risk being hedged. Suitable derivatives may not be available in all circumstances, and there can be no assurance that the Portfolio will use derivatives to reduce exposure to other risks when that might be beneficial. Derivatives also may be subject to counterparty credit risk, which includes the risk that the Portfolio may sustain a loss as a result of the insolvency or bankruptcy of, or other non-compliance with the terms in the agreement for the derivatives documentation by, another party to the transaction. When the Portfolio uses derivatives, it will provide margin or collateral bilaterally and/or segregate cash or other liquid assets in a manner that satisfies contractual undertakings and regulatory requirements. The need to provide margin or collateral and/or segregate assets could limit the Portfolio's ability to pursue other opportunities as they arise. Ongoing changes to regulation of the derivatives markets and potential changes in the regulation of funds using derivatives instruments could change the Portfolio's opportunities to pursue its investment strategies.

■ **Fund of Funds Risk.** The ability of the Portfolio to meet its investment objective is directly related to its target allocations among the Underlying Funds and the ability of those funds to meet their investment objectives. The Portfolio's share price will likely change daily based on the performance of the Underlying Funds in which it invests. In general, the Portfolio is subject to the same risks as those of the Underlying Funds it holds. Because the Portfolio is weighted towards Underlying Funds that invest in stocks, both U.S. and foreign, including mid- and small-capitalization stocks, as well as bonds and short-term instruments, the Portfolio is more subject to the risks associated with those investments.

■ **Equity Funds Risk.** The Portfolio invests in equity funds, for which a principal risk is market risk, the chance that stock prices overall will decline over short or even long periods of time. This includes the risk that returns from the stock market segments in which the Portfolio is most heavily indirectly invested may underperform other asset classes, other market segments or the overall stock market. The values of certain types of stocks, such as stocks of small-capitalization companies and foreign companies, may fluctuate more widely than others. The prices of small-capitalization company stocks may be based, in part, on future expectations rather than current achievements.

■ **Bond Funds Risk.** A portion of the Portfolio's assets may be invested in funds that have exposure to bonds and other fixed-income securities. The principal risks that may be encountered by such investments are: bond prices overall may decline when interest rates rise (interest rate risk); a bond issuer may fail to pay interest and principal in a timely manner (credit risk); a Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security (income risk); a rise in interest rates could cause borrowers to pay back the principal on certain debt securities more slowly than expected, thus lengthening the average life of such securities and may magnify the effect of the rate increase on the price of such securities (extension risk); and a fixed-income security issuer may repay a higher yielding bond before its maturity date during periods of falling interest rates (reinvestment risk). Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase the Portfolio's exposure to risks associated with rising rates. In addition, a general rise in rates may result in decreased liquidity and increased volatility in the fixed-income markets generally.

■ **Foreign Securities Risk.** A portion of the Portfolio's assets may be invested in funds with significant exposure to foreign securities, including exposure to emerging markets. Investing in foreign securities involves a number of economic, financial, legal, and political considerations that are not associated with the U.S. markets and that could affect the Portfolio's performance unfavorably, depending on the prevailing conditions at any given time. Among these potential risks are: greater price volatility; comparatively weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; social, political or economic instability; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; adverse foreign tax consequences; different and/or less stringent financial reporting standards; and settlement, custodial or other operational delays. World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, key information about the issuer, the markets or the local government or economy may be unavailable, incomplete or inaccurate. Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. In the event that an Underlying Fund holds material positions in such suspended securities, its ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

Sovereign debt instruments also are subject to the risk that a government or agency issuing the debt may be unable to pay interest and/or repay principal due to cash flow problems, insufficient foreign currency reserves or political concerns. In such instance, an Underlying Fund may have limited recourse against the issuing government or agency. Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Investments in securities issued in these countries

may be more volatile and less liquid than securities issued in more developed countries. Emerging markets are more susceptible to capital controls, governmental interference, local taxes being imposed on international investments, restrictions on gaining access to sales proceeds, and less efficient trading markets. Furthermore, because foreign securities may be denominated in foreign currencies, the value of the Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations.

- **Investment Company Securities Risk.** Investment in other investment companies typically reflects the risks of the types of securities in which the investment companies invest. When the Portfolio invests in another investment company, shareholders of the Portfolio bear their proportionate share of the other investment company's fees and expenses as well as their share of the Portfolio's fees and expenses, which could result in the duplication of certain fees.
- **Leveraging Risk.** The risk that certain transactions of the Portfolio, such as transactions in derivative instruments, may give rise to leverage, causing the Portfolio to be more volatile than if it had not been leveraged and can result in losses to the Portfolio that exceed the amount originally invested. Because of leverage, the Portfolio's investment exposure may exceed the Portfolio's net assets.
- **Managed Volatility Strategy Risk.** Securian AM may be unsuccessful in managing volatility, and there is a risk that the Portfolio may experience a high level of volatility in its returns. The Portfolio's holdings are subject to price volatility, and the Portfolio may not be any less volatile than the market as a whole and could be more volatile. In addition, there can be no guarantee that the Portfolio will achieve its goal of managing the volatility of its equity returns. Furthermore, while the management of volatility seeks competitive returns with more consistent volatility, the management of volatility does not ensure that the Portfolio will deliver competitive returns. Additionally, even if successful, the Portfolio's management of volatility also may generally result in the Portfolio's NAV increasing to a lesser degree than the markets (*e.g.*, in a rising market with relatively high volatility) or decreasing to a greater degree than the market (*e.g.*, in a declining market with relatively low volatility). The Portfolio's managed volatility strategy may expose the Portfolio to losses (some of which may be sudden) to which it would not have otherwise been exposed if it invested only in Underlying Funds. Additionally, the derivatives used by Securian AM to hedge the value of the Portfolio are not identical to the Underlying Funds, and as a result, the Portfolio's investment in derivatives may decline in value at the same time as the Portfolio's investment in Underlying Funds. Securian AM does not intend to attempt to manage the volatility of the Portfolio's fixed-income returns. It is possible that the fixed-income portion of the Portfolio, whose volatility would not be managed by the volatility management strategy, could become more volatile than the equity portion of the Portfolio.
- **Management Risk.** Portfolio performance is primarily dependent on the Investment Manager's skill in evaluating and managing the Portfolio's holdings. There can be no guarantee that its decisions will produce the desired results, and the Portfolio may not perform as well as other similar mutual funds. Furthermore, IICO may alter the asset allocation of the Portfolio at its discretion. A material change in the asset allocation could affect both the level of risk and the potential for gain or loss.
- **Market Risk.** Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, the Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by the Portfolio will rise in value. At times, a relatively high percentage of the Portfolio's assets may have indirect exposure to stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector. Additionally, global economies and financial markets are becoming increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by the Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.
- **Other Risks Applicable to a Fund of Funds Structure.** There are other risks associated with a Fund of Funds structure. IICO has the authority to select and replace Underlying Funds. IICO is subject to a potential conflict of interest in doing so because IICO serves as the investment manager to the Underlying Funds and the advisory fees paid by some of the Underlying Funds are higher than fees paid by other Underlying Funds. It is important to note, however, that IICO has a fiduciary duty to the Portfolio and must act in the Portfolio's best interests.

Additional information about the risks of the Underlying Funds is provided in the Portfolio's prospectus in their respective sections and in the section entitled *Additional Information about Principal Investment Strategies, Other Investments and Risks*.

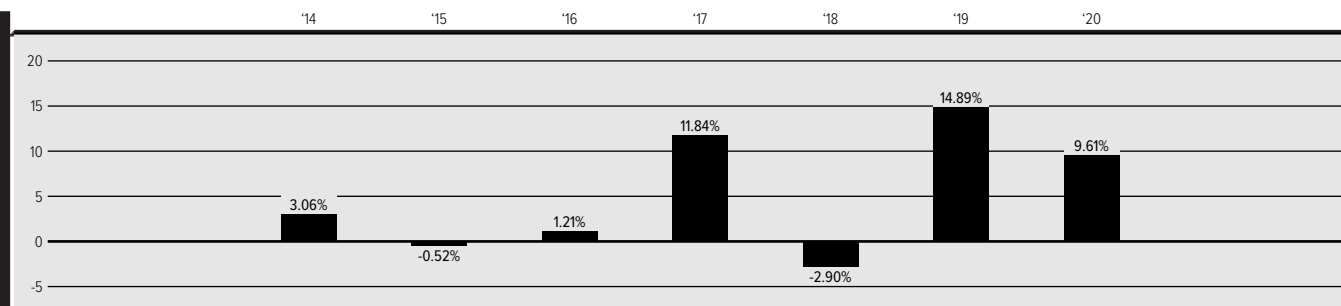
## Performance

The chart and table below provide some indication of the risks of investing in the Portfolio. The chart shows how performance has varied from year to year for Class II shares of the Portfolio. The table shows the average annual total returns for Class II shares of the Portfolio and also compares the Portfolio's returns with those of various broad-based securities market indexes. The performance results do not reflect any Policy-related fees and expenses, which would reduce the performance results.

The Portfolio's past performance does not necessarily indicate how it will perform in the future. Current performance may be lower or higher. Please call (888) 923-3355 for the Portfolio's updated performance.

### Chart of Year-by-Year Returns

as of December 31 each year



In the period shown in the chart, the highest quarterly return was 7.72% (the second quarter of 2020) and the lowest quarterly return was -8.68% (the first quarter of 2020).

### Average Annual Total Returns

| as of December 31, <u>2020</u>   | 1 Year        | 5 Years       | Life of Class |
|--|---------------|---------------|---------------|
| <b>Class II (began on 8-1-2013)</b>  | <u>9.61%</u>  | <u>6.72%</u>  | <u>5.70%</u>  |
| <b>Indexes</b>   |               |               |               |
| Current Blended Benchmark <sup>1</sup> (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013)       | <u>13.40%</u> | <u>9.77%</u>  | <u>8.27%</u>  |
| Russell 3000 Index (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013)                           | <u>20.89%</u> | <u>15.43%</u> | <u>13.39%</u> |
| Bloomberg Barclays U.S. Credit Index (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013)         | <u>9.35%</u>  | <u>6.44%</u>  | <u>5.43%</u>  |
| MSCI EAFE Index (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013)                              | <u>7.82%</u>  | <u>7.45%</u>  | <u>5.61%</u>  |
| Bloomberg Barclays 1-3 Year Gov/Credit Index (reflects no deduction for fees, expenses or taxes) (Life of Class index comparison begins on 8-1-2013) | <u>3.33%</u>  | <u>2.21%</u>  | <u>1.73%</u>  |

<sup>1</sup> The Current Blended Benchmark is computed using a combination of 40% Russell 3000 Index + 30% Bloomberg Barclays U.S. Credit Index + 15% MSCI EAFE Index + 15% Bloomberg Barclays 1-3 Year Gov/Credit Index.

## Investment Adviser

The Portfolio is managed by Ivy Investment Management Company (IICO) and subadvised by Securian Asset Management, Inc. (Securian AM).

## Portfolio Managers

F. Chace Brundige, Senior Vice President of IICO, has managed the Portfolio since June 2016; Aaron Young, Vice President of IICO, has managed the Portfolio since October 2016; and W. Jeffery Surles, Senior Vice President of IICO, has managed the Portfolio since February 2018.

Merlin Erickson, Vice President and Portfolio Manager of Securian AM, and Jeremy Gogos, Portfolio Manager of Securian AM, have managed the volatility management strategy of the Portfolio since December 2017, and Craig M. Stapleton, Vice President and Portfolio Manager of Securian AM, has managed the volatility management strategy of the Portfolio since its inception in July 2013.

## **Purchase and Sale of Portfolio Shares**

Shares of the Portfolio are currently sold only to separate accounts of Participating Insurance Companies (PICs) to fund benefits payable under the Policies.

The Portfolio's shares are redeemable. Shares are purchased or redeemed at the Portfolio's NAV per share next calculated after your order is received in good order on any business day. The Portfolio does not have initial and subsequent investment minimums. Please refer to your Policy prospectus for more information on purchasing and redeeming Portfolio shares.

## **Tax Information**

Because the Portfolio's only shareholders are separate accounts of PICs, distributions the Portfolio makes of its net investment income and net realized gains, if any — most or all of which it intends to distribute annually — and redemptions or exchanges of Portfolio shares generally will not be taxable to its shareholders (or to the holders of the underlying Policies). See the prospectus for your Policy for further tax information.

## **Payments to Broker-Dealers and other Financial Intermediaries**

The Portfolio and its related companies may make payments to a PIC (or its affiliates), a broker-dealer, or other financial intermediary for distribution and/or other services. These payments may create a conflict of interest by influencing the PIC, a broker-dealer, or other financial intermediary and your financial advisor to recommend the Portfolio over another investment or by influencing a PIC to include the Portfolio as an underlying investment option in the Policy. The prospectus (or other offering document) for your Policy may contain additional information about these payments.

# More about the Portfolios

## Additional Information about Principal Investment Strategies, Other Investments and Risks

**Ivy VIP Core Equity:** The Portfolio seeks to achieve its objective to provide capital growth and appreciation by investing, under normal circumstances, at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities, primarily in common stocks of large-capitalization, U.S. and, to a lesser extent, foreign companies. IICO seeks to invest the Portfolio in companies that it believes are high-quality, have sustainable competitive advantages accompanied by financial strength and earnings stability, and have leading positions in their industries. There is no guarantee, however, that the Portfolio will achieve its objective. Although the Portfolio invests primarily in securities issued by large-capitalization companies, it may invest in securities issued by companies of any size. The Portfolio may invest in securities of companies across the valuation spectrum, including securities issued by growth and value companies.

IICO begins its investment process by screening the 1500 largest domestic companies, using a series of quantitative screens for earnings quality and trends, valuation, management quality and capital usage. Following this initial screening, IICO balances a top-down (assessing the market environment) approach with a bottom-up (researching individual issuers) analysis when selecting securities for the Portfolio, and seeks to exploit what it believes to be catalysts for multi-year earnings growth in companies that it believes have strong or strengthening competitive advantages. Earnings catalysts are diversified across both thematic and company-specific projections.

From a top-down perspective, IICO seeks to identify current trends or themes which indicate specific industries that have the potential to experience multi-year growth. IICO considers various thematic catalysts in its analysis, including major macro-economic and political forces, cyclical inflections, changes in consumer behavior and technology shifts. Once a trend or theme is identified, IICO seeks to invest for the Portfolio in what it believes are dominant companies that will benefit from these trends or themes, including companies that IICO believes have long-term earnings potential that exceeds market expectations.

Through its bottom-up stock selection, IICO searches for companies for which it believes market expectations are too low with regard to the ability of the companies to grow their businesses.

In selecting securities for the Portfolio, IICO may consider whether a company has new products to introduce, has undergone cost restructuring or a management change, or has improved its execution, among other factors.

The Portfolio typically holds a limited number of stocks (generally 40 to 50).

IICO attempts to select securities that it believes have growth possibilities by looking at many factors, which may include a company's: projected long-term earnings power compared to market expectations over a multi-year horizon, competitive position in the global economy, history of improving sales and profits, management strength, ESG characteristics, established brand, leadership position in its industry, stock price value, potential earnings catalyst, dividend payment history, anticipated future dividend yield, and prospects for capital return in the form of dividends and stock buybacks.

The Portfolio also may invest up to 25% of its total assets in foreign securities. An investment in foreign securities presents additional risks such as currency fluctuations and political or economic conditions affecting the foreign country. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may use a variety of derivatives instruments for various purposes. The Portfolio may, at any given time, use futures contracts, options contracts or other instruments, in an attempt to hedge broad or specific U.S. equity index movements or to otherwise manage the risks of the Portfolio's investments. In an effort to manage foreign currency exposure, the Portfolio may use forward currency contracts to either increase or decrease exposure to a given currency.

When IICO believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The "cash equivalents" in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers' acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable high



quality. Subject to the Portfolio's investment policies and restrictions, the Portfolio also may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Core Equity is subject to various risks, including the following:

- |                                      |                      |
|--------------------------------------|----------------------|
| ■ Catalyst Risk                      | ■ Large Company Risk |
| ■ Company Risk                       | ■ Management Risk    |
| ■ Foreign Exposure Risk              | ■ Market Risk        |
| ■ Growth Stock Risk                  | ■ Sector Risk        |
| ■ Holdings Risk                      | ■ Theme Risk         |
| ■ Information Technology Sector Risk | ■ Value Stock Risk   |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Core Equity may be subject to other, non-principal risks, including the following:

- |  |                           |
|--|---------------------------|
| ■ Derivatives Risk   | ■ Mid-Size Company Risk   |
| ■ Foreign Currency Exchange Transactions and Forward Foreign Currency Contracts Risk | ■ Redemption Risk         |
| ■ Foreign Currency Risk  | ■ Securities Lending Risk |
| ■ Foreign Securities Risk  | ■ Small Company Risk      |
| ■ Interest Rate Risk   |                           |

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the Statement of Additional Information (SAI).

**Ivy VIP Growth:** The Portfolio seeks to achieve its objective to provide growth of capital by investing primarily in a portfolio of common stocks issued by growth-oriented, large-capitalization (and, to a lesser extent, mid-capitalization) U.S. (and, to a lesser extent, foreign) companies that IICO believes have a competitively advantaged business model, thereby eluding competition, and have the ability to sustain growth over the long term beyond investors' expectations. Large-capitalization companies typically are companies with market capitalizations of at least \$10 billion at the time of acquisition. The Portfolio is non-diversified, meaning that it may invest a significant portion of its total assets in a limited number of issuers. There is no guarantee, however, that the Portfolio will achieve its objective.

In selecting securities for the Portfolio, IICO begins its investment process by screening large-capitalization companies based on profitability (capital returns and margins) and growth (sales and earnings), while simultaneously utilizing fundamental analysis to assess any unique business attributes that validate those financial characteristics. IICO uses a bottom-up (researching individual issuers) strategy in selecting securities for the Portfolio. IICO seeks to invest for the Portfolio in companies that it believes possess a structural competitive advantage or durable market leadership position. IICO looks for companies which serve large addressable markets with a demonstrated ability to sustain unit growth and high profitability. IICO also seeks to invest in companies that it believes have improving growth prospects or improving levels of profitability and returns.

A competitively advantaged business model can be defined by such factors as: brand loyalty, proprietary technology, cost structure, scale, exclusive access to data, or distribution advantages. Other factors considered include strength of management; ESG characteristics; level of competitive intensity; return of capital; strong balance sheets and cash flows; the threat of substitute products; and the interaction and bargaining power between a company, its customers, suppliers, and competitors. IICO's process for selecting stocks is based primarily on fundamental research, but does utilize quantitative analysis during the screening process.

From a quantitative standpoint, IICO concentrates on the level of profitability, capital intensity, cash flow and capital allocation measures, as well as earnings growth rates and valuations. IICO's fundamental research effort tries to identify those companies that it believes possess a sustainable competitive advantage, an important characteristic which typically enables a company to generate above-average levels of profitability and the ability to sustain growth over the long term. The Portfolio typically holds a limited number of stocks (generally 35 to 50).

The Portfolio invests primarily in common stocks but also may own, to a lesser extent, debt securities, typically of investment-grade and of any maturity. Additionally, the Portfolio may invest up to 25% of its total assets in foreign securities. An investment in foreign securities presents additional risks such as currency fluctuations and political or economic conditions affecting the foreign country. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.



When IICO believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The “cash equivalents” in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers’ acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable high quality. Subject to the Portfolio’s investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Growth is subject to various risks, including the following:

- |                                      |                                   |
|--------------------------------------|-----------------------------------|
| ■ Company Risk                       | ■ Large Company Risk              |
| ■ Foreign Exposure Risk              | ■ Management Risk                 |
| ■ Growth Stock Risk                  | ■ Market Risk                     |
| ■ Holdings Risk                      | ■ <u>Non-Diversification Risk</u> |
| ■ Information Technology Sector Risk | ■ Sector Risk                     |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Growth may be subject to other, non-principal risks, including the following:

- |                           |                           |
|---------------------------|---------------------------|
| ■ Derivatives Risk        | ■ Redemption Risk         |
| ■ Foreign Securities Risk | ■ Securities Lending Risk |
| ■ Mid-Size Company Risk   |                           |

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Mid Cap Growth:** The Portfolio seeks to achieve its objective to provide growth of capital by investing primarily in a diversified portfolio of U.S. and, to a lesser extent, foreign mid-capitalization companies that IICO believes are high quality and/or offer above-average growth potential. Under normal circumstances, the Portfolio invests at least 80% of its net assets, plus any borrowings for investment purposes, in the securities of mid-capitalization companies. There is no guarantee, however, that the Portfolio will achieve its objective.

The Portfolio primarily focuses on mid-capitalization growth companies that IICO believes have the potential to become large-capitalization companies, which may include companies that are offered in IPOs. For purposes of this Portfolio, mid-capitalization companies typically are companies with market capitalizations similar to those of issuers included in the Russell Midcap Growth Index over the last 13 months at the time of acquisition. As of June 30, 2020 (the quarter-end closest to the index’s rebalance), this range of market capitalizations was between approximately \$556.77 million and \$47.97 billion. Securities of a company whose capitalization exceeds the mid-capitalization range after purchase will not be sold solely because of the company’s increased capitalization.

IICO primarily emphasizes a bottom-up (researching individual issuers) approach in its selection of securities for the Portfolio, and focuses on companies it believes have the potential for strong growth, increasing profitability, stable and sustainable revenue and earnings streams, attractive valuations and sound capital structures. IICO may look at a number of factors in its consideration of a company, such as: new or innovative products or services; adaptive or creative management; strong financial and operational capabilities to sustain multi-year growth; stable and consistent revenue, earnings, and cash flow; strong balance sheet; market potential; and profit potential. Other desired characteristics may include a leading market position, the active involvement of the founder or entrepreneur, management that is strong and demonstrates commitment to stakeholders, and a high gross margin and return on equity with low debt. IICO also may consider a company’s dividend yield. Part of IICO’s investment process includes a review of the macroeconomic environment, with a focus on factors such as interest rates, inflation, consumer confidence and corporate spending.

The Portfolio’s holdings tend to be allocated across a spectrum of growth companies comprised of three major categories: greenfield growth (companies that possess innovative products or services that IICO believes have the ability to maintain growth over the longer term); stable growth (companies that IICO believes are well-managed, have durable business models and are producing moderated, yet reliable, earnings growth but that are not the fastest growth companies within the mid-capitalization growth universe); and unrecognized growth (companies, in IICO’s view, whose future growth prospects are either distrusted or misunderstood, or whose growth has slowed from historical levels, but still have the potential to deliver or reassert growth).

The Portfolio may invest up to 25% of its total assets in foreign securities. An investment in foreign securities presents additional risks, such as currency fluctuations and political or economic conditions affecting the foreign country. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

In addition to common stocks, the Portfolio may invest in debt securities of any maturity and mostly of investment-grade, that is, rated BBB- or higher by S&P, or comparably rated by another NRSRO or, if unrated, determined by IICO to be of comparable quality.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may use a variety of derivative instruments for various purposes. The Portfolio may, at any given time, use futures contracts on domestic indexes and options, both written and purchased, on an index or on individual or baskets of equity securities, in an attempt to gain exposure to certain sectors or securities, to enhance income, and/or to hedge certain event risks on positions held by the Portfolio and to hedge market risk on equity securities. In addition, the Portfolio may use total return swaps in an attempt to increase exposure to various equity sectors and markets or individual or baskets of equity securities. The Portfolio also may invest in exchange-traded funds (ETFs) as a means of gaining market exposure and/or to manage fund flows.

When IICO believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The “cash equivalents” in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers’ acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable high quality. Subject to the Portfolio’s investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. Moreover, the Portfolio may choose to invest in companies whose sales and earnings growth generally are stable through a variety of economic conditions. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Mid Cap Growth is subject to various risks, including the following:

- |   |                          |
|---|--------------------------|
| ■ Company Risk                              | ■ <u>Management Risk</u> |
| ■ Growth Stock Risk                         | ■ Market Risk            |
| ■ <u>Health Care Sector Risk</u>            | ■ Mid-Size Company Risk  |
| ■ <u>Information Technology Sector Risk</u> | ■ Sector Risk            |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Mid Cap Growth may be subject to other, non-principal risks, including the following:

- |                                      |                           |
|--------------------------------------|---------------------------|
| ■ Derivatives Risk                   | ■ Large Company Risk      |
| ■ Foreign Exposure Risk              | ■ Redemption Risk         |
| ■ Foreign Securities Risk            | ■ Securities Lending Risk |
| ■ Initial Public Offering (IPO) Risk | ■ Small Company Risk      |
| ■ Investment Company Securities Risk |                           |

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Small Cap Core:** The Portfolio seeks to achieve its objective to provide capital appreciation by investing primarily in various types of equity securities of small-capitalization U.S. and, to a lesser extent, foreign companies, that IICO believes have the greatest potential for capital appreciation. Under normal circumstances, at least 80% of the Portfolio’s net assets, plus any borrowings for investment purposes, will be invested, at the time of purchase, in common stocks of small-capitalization companies. There is no guarantee, however, that the Portfolio will achieve its objective.

For purposes of this Portfolio, small-capitalization companies typically are companies with market capitalizations similar to those of issuers included in the Russell 2000 Index over the last 13 months at the time of acquisition. As of June 30, 2020 (the quarter-end closest to the index’s rebalance), this range of market capitalizations was between approximately \$47.94 million and \$5.94 billion. Equity securities of a company whose capitalization exceeds the small-capitalization range after purchase will not be sold solely because of the company’s increased capitalization. From time to time, the Portfolio also may invest a lesser portion of its assets in securities of mid- and large-capitalization companies (that is, companies with market capitalizations larger than that defined above).

In selecting securities for the Portfolio, IICO begins its investment process by screening the small-capitalization universe to identify companies that it believes exhibit consistently strong or positively inflecting relative strength. IICO has the flexibility to invest in growth or value companies, or both, and primarily utilizes fundamental, bottom-up (researching individual issuers) research while considering top-down (assessing the market and economic environment) and quantitative analyses. In selecting stocks and other equity securities, IICO makes an assessment of the current state of the economy, examines various industry sectors, and analyzes individual companies in the small-capitalization universe.

IICO primarily focuses on equity securities it believes are underappreciated and are trading at a discount to their future potential value. Underappreciated securities are securities that IICO believes are undervalued relative to a company's future potential opportunity. In assessing investment opportunities, IICO seeks stocks that it believes exhibit relative strength and positive identifiable catalysts, while striving to avoid stocks with low liquidity. IICO seeks companies that are showing stable or positively trending fundamentals and that possess one or more of the following attributes: improving or consistently strong reported metrics (favorable margins), capital discipline (favorable return on invested capital), a sustainable competitive advantage, seasoned management with appropriate incentives and a stable capital structure.

In selecting securities, IICO also seeks companies with a significant difference between a company's current market price and its potential market price as estimated by IICO and further considers a company's industry structure, growth opportunities, financial leverage, product offering, industry cycles and economic variables. The Portfolio typically holds a limited number of stocks (generally 40 to 60), some of which may be offered in IPOs.

The Portfolio may invest up to 25% of its total assets in foreign securities. Investing in foreign securities may present additional risks such as currency fluctuations and political or economic conditions affecting the foreign country. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may invest in ETFs as a means of gaining exposure to a particular segment of the market and/or to invest cash effectively.

When IICO believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The "cash equivalents" in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers' acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable high quality. The Portfolio also may invest in more established companies, such as those with longer operating histories than many small-capitalization companies. Additionally, it may increase the number of issuers in which it invests and thereby limit the Portfolio's position size in any particular security. Subject to the Portfolio's investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. Other defensive tactics that may be used by IICO include holding smaller position sizes in individual holdings and/or being more broadly diversified across sectors and industries. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Small Cap Core is subject to various risks, including the following:

- |   |                           |
|---|---------------------------|
| ■ Catalyst Risk                             | ■ Management Risk         |
| ■ Company Risk                              | ■ Market Risk             |
| ■ Growth Stock Risk                         | ■ Portfolio Turnover Risk |
| ■ Holdings Risk                             | ■ Small Company Risk      |
| ■ <u>Information Technology Sector Risk</u> | ■ Value Stock Risk        |
| ■ Liquidity Risk                            |                           |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Small Cap Core may be subject to other, non-principal risks, including the following:

- |                                      |                           |
|--------------------------------------|---------------------------|
| ■ Derivatives Risk                   | ■ Large Company Risk      |
| ■ Foreign Exposure Risk              | ■ Mid-Size Company Risk   |
| ■ Foreign Securities Risk            | ■ Redemption Risk         |
| ■ Initial Public Offering (IPO) Risk | ■ Sector Risk             |
| ■ Investment Company Securities Risk | ■ Securities Lending Risk |

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Small Cap Growth:** The Portfolio seeks to achieve its objective to provide growth of capital by investing, under normal circumstances, at least 80% of its net assets, plus any borrowings for investment purposes, in common stocks of small-capitalization companies. The Portfolio invests primarily in common stocks of small-capitalization companies that are relatively new or unseasoned companies in their early stages of development, or smaller companies positioned in new or emerging industries where IICO believes there is an opportunity for higher growth than in

established companies or industries. For purposes of this Portfolio, small-capitalization companies typically are companies with market capitalizations similar to those of issuers included in the Russell 2000 Growth Index over the last 13 months at the time of acquisition. As of June 30, 2020 (the quarter-end closest to the index's rebalance), this range of market capitalizations was between approximately \$65.55 million and \$5.94 billion. Equity securities of a company whose capitalization exceeds the small-capitalization range after purchase will not be sold solely because of the company's increased capitalization. The Portfolio's investments in equity securities may include common stocks that are offered in IPOs. There is no guarantee, however, that the Portfolio will achieve its objective.

The emphasis on portfolio risk diversification is an important contributor to the ability to effectively manage risk, as a desired goal is to have a portfolio of securities that tend not to react in high correlation to one another under any economic or market condition. This emphasis is intended to result in a higher degree of diversification, reduced portfolio volatility, and a smoother more consistent pattern of portfolio returns over the long term.

IICO begins its investment process by screening the small-capitalization universe for companies with accelerating revenue growth and improving returns on invested capital. Following this initial screening, IICO utilizes a bottom-up (researching individual issuers) stock-picking process that considers quality of management and superior financial characteristics (*e.g.*, return on assets, return on equity, operating margin) in its search for companies, thereby focusing on what it believes are higher-quality companies with sustainable growth prospects. IICO seeks companies that it believes exhibit successful and scalable business models by having one or more of the following characteristics: serving markets that are growing at rates substantially in excess of the average industry and/or the general economy; a company that is a leader in its industry and that possesses an identifiable competitive advantage; that features strong and effective management; that demonstrates a strong commitment to shareholders; that is serving a large and/or fast-growing market opportunity; that is experiencing upward margin momentum, a growth in earnings, growth in revenue and sales and/or positive cash flows; that is increasing market share and/or creating increasing barriers to entry either through technological advancement, marketing, distribution or some other innovative means; or that emphasizes organic growth. IICO believes that such companies generally have a replicable business model that allows for sustained growth.

The Portfolio's holdings tend to be allocated across a spectrum of growth companies comprised of four major categories: aggressive growth (often young companies that are early entrants to new industries or market opportunities); accelerating growth (companies growing somewhat quickly but less aggressively and delivering solid margin expansion); consistent growth (companies that are growing still more slowly but remain stable, reliable competitors in attractive industries), and out of favor growth (companies whose valuations have been reduced but that IICO believes continue to possess potential growth prospects). The focus on holding an investment is intermediate to long-term.

From time to time, the Portfolio also may invest a lesser portion of its assets in securities of mid- and large-capitalization companies (that is, companies with market capitalizations larger than that defined above) that, in IICO's opinion, are being fundamentally changed or revitalized, have a position that is considered strong relative to the market as a whole or otherwise offer unusual opportunities for above-average growth.

The Portfolio may invest up to 25% of its total assets in foreign securities. Investing in foreign securities may present additional risks such as currency fluctuations and political or economic conditions affecting the foreign country. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may invest in ETFs to gain industry exposure not otherwise available through direct investments in small-capitalization securities. The Portfolio also may use a variety of derivative instruments for various purposes. The Portfolio may, at any given time, use total return swaps, futures contracts on domestic equity indexes and options, both written and purchased, in an attempt to hedge various market risks and/or individual securities or to gain or increase exposure to various equity sectors and markets or to enhance income.

When IICO believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The "cash equivalents" in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers' acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable high quality. The Portfolio also may invest in more established companies, such as those with longer operating histories than many small-capitalization companies. Additionally, it may increase the number of issuers in which it invests and thereby



limit the Portfolio's position size in any particular security. Subject to the Portfolio's investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Small Cap Growth is subject to various risks, including the following:

- |                                      |                      |
|--------------------------------------|----------------------|
| ■ Company Risk                       | ■ Liquidity Risk     |
| ■ Growth Stock Risk                  | ■ Management Risk    |
| ■ Health Care Sector Risk            | ■ Market Risk        |
| ■ Information Technology Sector Risk | ■ Sector Risk        |
| ■ Initial Public Offering (IPO) Risk | ■ Small Company Risk |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Small Cap Growth may be subject to other, non-principal risks, including the following:

- |                                      |                           |
|--------------------------------------|---------------------------|
| ■ Derivatives Risk                   | ■ Large Company Risk      |
| ■ Foreign Exposure Risk              | ■ Mid-Size Company Risk   |
| ■ Foreign Securities Risk            | ■ Redemption Risk         |
| ■ Investment Company Securities Risk | ■ Securities Lending Risk |

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Value:** The Portfolio seeks to achieve its objective to provide capital appreciation by primarily investing, for the long term, in the common stocks of large-capitalization U.S. and, to a lesser extent, foreign companies that IICO believes are undervalued. Large-capitalization companies typically are companies with market capitalizations of at least \$10 billion at the time of acquisition. The Portfolio seeks to invest in stocks that are, in the opinion of IICO, undervalued, trading at a significant discount relative to the intrinsic value of the company as estimated by IICO and/or are out of favor in the financial markets but have a favorable outlook for capital appreciation. There is no guarantee, however, that the Portfolio will achieve its objective.

IICO begins its investment process by screening the large-capitalization universe for companies with high normalized free cash flow to enterprise value, with the additional metric of price to book for many financial companies. To identify securities for the Portfolio, IICO primarily utilizes fundamental bottom-up (researching individual issuers) research while considering top-down (assessing the market environment) and quantitative analysis. In general, in selecting securities for the Portfolio, IICO evaluates market risk, interest rate trends and the economic climate. It then considers numerous factors in its analysis of individual issuers and their stocks, which may include: estimated intrinsic value of the company using various valuation metrics, historical earnings growth, future expected earnings growth, company's position in its industry, industry conditions, competitive strategy, management capabilities, free cash flow potential, changes in share count, changes in working capital, and internal or external catalysts for change. The Portfolio emphasizes companies that IICO believes have clearly identifiable catalysts that will help the companies achieve their estimated intrinsic values. Sector weights are determined by an analytical process in which IICO identifies the sectors with the most and least attractive candidates for inclusion in the Portfolio. IICO then may consider overweighting or underweighting a particular sector based on that analysis. The Portfolio typically holds a limited number of stocks (generally 30 to 45).

The Portfolio may invest up to 25% of its total assets in foreign securities. An investment in foreign securities presents additional risks such as currency fluctuations and political or economic conditions affecting the foreign country. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

The Portfolio may invest in publicly traded partnerships (often referred to as MLPs). An MLP is an entity that combines the tax benefits of a partnership with the liquidity of publicly traded securities. The Portfolio's investments in MLPs will be limited by tax considerations.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may use a variety of derivative instruments for various purposes. The Portfolio may, at any given time, use options on individual equity securities, in seeking to gain or increase exposure to, or facilitate trading in, certain securities or market sectors. The Portfolio also may use written options contracts on individual equity securities to enhance return. In addition, the Portfolio may use futures contracts on domestic equity indexes in an attempt to hedge market risk on equity securities.

When IICO believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The “cash equivalents” in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers’ acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable high quality. Subject to the Portfolio’s investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Value is subject to various risks, including the following:

- |                          |                      |
|--------------------------|----------------------|
| ■ Catalyst Risk          | ■ Large Company Risk |
| ■ Company Risk           | ■ Management Risk    |
| ■ Financials Sector Risk | ■ Market Risk        |
| ■ Foreign Exposure Risk  | ■ Sector Risk        |
| ■ Holdings Risk          | ■ Value Stock Risk   |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Value may be subject to other, non-principal risks, including the following:

- |   |                           |
|---|---------------------------|
| ■ Derivatives Risk                      | ■ Redemption Risk         |
| ■ Foreign Securities Risk               | ■ Securities Lending Risk |
| ■ Master Limited Partnership (MLP) Risk | ■ Small Company Risk      |
| ■ Mid-Size Company Risk                 |                           |

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Corporate Bond:** The Portfolio seeks to achieve its objective to provide current income consistent with preservation of capital by investing, under normal circumstances, at least 80% of its net assets, plus any borrowings for investment purposes, in corporate bonds (also referred to as corporate “debt securities” or “fixed-income securities”). For this purpose, “corporate bonds” includes any debt security issued by a domestic or foreign company with an initial maturity greater than one year. The Portfolio invests primarily in investment-grade debt securities, and, to a lesser extent, in non-investment-grade debt securities and convertible securities. The Portfolio may invest up to 20% of its net assets in other types of debt securities, including mortgage-backed securities, debt securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities (U.S. government securities), other asset-backed securities, and to a lesser extent, debt securities issued by foreign governments or municipal issuers. IICO may use various techniques to manage the duration of the Portfolio’s holdings. IICO typically determines sector allocation by fundamental analysis and a comparison of relative value between sectors. The Portfolio may invest significantly in debt securities payable from the same sector. There is no guarantee, however, that the Portfolio will achieve its objective.

In selecting debt securities for the Portfolio, IICO looks at a number of factors, including both a top-down (assessing the market environment) and a bottom-up (researching individual issuers) analysis. The top-down analysis looks at broad economic and financial trends in an effort to anticipate their impact on the fixed-income market and seeks to identify certain criteria that contribute to the overall target portfolio characteristics such as duration, spread, ratings and liquidity. The bottom-up analysis seeks to identify sectors that IICO believes have favorable risk/reward characteristics and targets those sectors for overweight positioning. From the sector level, IICO identifies companies that have positive attributes and considers the issuer’s past, present and estimated future: financial strength, cash flow, management, borrowing requirements, balance sheet policy and relative safety. Additional factors considered include leverage, interest coverage, revenue and margin stability, competition and industry trends, as well as relative value and liquidity.

The Portfolio may invest a portion of its assets in mortgage-backed securities, including U.S. government or U.S. government-related mortgage loan pools or private mortgage loan pools. In U.S. government or U.S. government-related mortgage loan pools, the U.S. government or certain agencies guarantee to mortgage pool security holders the payment of principal and interest. The principal U.S. government-related guarantors of mortgage-related securities are Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac generally guarantee payment of principal and interest on mortgage loan pool securities issued by certain preapproved institutions (such as savings and loan institutions, commercial banks and mortgage bankers). However, securities issued by Fannie Mae, Freddie Mac and the FHLB are not backed by the full faith and credit of the U.S. government, are not insured or guaranteed by the U.S. government and, instead, may be supported only by the right of the issuer to borrow from the Treasury or by the credit of the issuer. In addition, the Portfolio purchases securities issued by non-government related entities which may be backed only by the pool of assets pledged as security for the transaction.



The Portfolio may invest up to 20% of its total assets in non-investment-grade debt securities, commonly called “high-yield” or “junk” bonds, which are more susceptible to the risk of non-payment or default, and their prices may be more volatile than higher-rated bonds. The Portfolio also may invest up to 20% of its total assets in foreign securities. An investment in foreign securities presents additional risks such as currency fluctuations and political or economic conditions affecting the foreign country. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets. In addition, the Portfolio may invest in secured and unsecured loan assignments, loan participations and other loan instruments. The Portfolio may use a variety of derivative instruments for various purposes. The Portfolio may, at any given time, use long or short positions in futures contracts to gain exposure to, or hedge against, changes in interest rates.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may invest in Rule 144A Securities.

When IICO believes that a temporary defensive position is desirable, due to present or anticipated market or economic conditions, it may invest up to all of the Portfolio’s assets in cash or cash equivalents. The “cash equivalents” in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers’ acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable quality. Subject to the Portfolio’s investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options, credit default swaps and other types of derivatives, for defensive purposes. By taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Corporate Bond is subject to various risks, including the following:

- Company Risk
- Credit Risk
- Extension Risk
- Financials Sector Risk
- Fixed-Income Market Risk
- Foreign Securities Risk
- Income Risk
- Interest Rate Risk
- Liquidity Risk
- Management Risk
- Reinvestment Risk
- Sector Risk
- U.S. Government Securities Risk

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Corporate Bond may be subject to other, non-principal risks, including the following:

- Convertible Security Risk
- Derivatives Risk
- Foreign Exposure Risk
- Foreign Government Obligations and Securities of Supranational Entities Risk
- Loan Risk
- Low-Rated Securities Risk
- Mortgage-Backed and Asset-Backed Securities Risk
- Non-Agency Securities Risk
- Political, Legislative or Regulatory Risk
- Redemption Risk
- Restricted Securities Risk
- Securities Lending Risk

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Global Bond:** The Portfolio seeks to achieve its primary objective to provide a high level of current income, and its secondary objective of capital appreciation, by investing, under normal circumstances, at least 80% of its net assets, plus any borrowings for investment purposes, in a diversified portfolio of bonds of foreign and U.S. issuers. The Portfolio may invest in debt securities, including secured and unsecured loan assignments, loan participations and other loan instruments (loans), issued by foreign or U.S. companies of any size, including those in emerging markets, as well as in debt securities issued by foreign or U.S. governments. There is no guarantee, however, that the Portfolio will achieve its objectives.

Under normal circumstances, the Portfolio invests at least 40% (or, if IICO deems it warranted by market conditions, at least 30%) of its total assets in securities of non-U.S. issuers. The Portfolio also may invest in securities of issuers determined by IICO to be in developing or emerging market countries. The Portfolio may invest up to 100% of its total assets in foreign securities and non-U.S. dollar-denominated securities. The Portfolio has the flexibility to invest in a variety of securities, sectors, countries and currencies.

Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

IICO may look at a number of factors in selecting securities for the Portfolio's holdings, including: identifying fundamental global themes; country analysis (economic, legislative/judicial and demographic trends); credit analysis of the issuer (financial strength, cash flow, balance sheet, capital structure, management, strategy and accounting); the maturity, quality, and denomination (U.S. dollar, euro, yen) of the issue; domicile, market share and industry of the issuer; and analysis of the issuer's profit history through various economic cycles.

Bonds and other debt securities may be of any maturity (except that, for this purpose, a "bond" is any debt security with an initial maturity greater than one year.) The Portfolio may invest in both investment and non-investment-grade securities. It may invest up to 35% of its total assets in non-investment-grade bonds, primarily of foreign issuers, or unrated securities determined by IICO to be of comparable quality. Non-investment-grade bonds, commonly called "high-yield" or "junk" bonds, are considered to be more susceptible to the risk of non-payment or default, and may be more volatile than higher-rated debt securities.

The Portfolio primarily owns debt securities; however, the Portfolio also may own, to a lesser extent, preferred stocks, common stocks and convertible securities. The Portfolio may invest in restricted securities, including Rule 144A Securities. The Portfolio may purchase shares of other investment companies subject to the restrictions and limitations of the 1940 Act. The Portfolio also may invest in ETFs as a means of gaining exposure to desired sectors, asset classes or securities. The Portfolio also may invest in ETFs to gain exposure to precious metals and other commodities without purchasing them directly, although the Portfolio also may invest separately in physical commodities.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may use a variety of derivative instruments for various purposes. The Portfolio may, at any given time, use options, futures contracts, forward currency contracts (physical or cash settlement), credit default swaps, total return swaps, interest rate swaps and/or non-delivery forward contracts with cash settlement. The Portfolio may use these derivatives in an attempt to hedge various instruments, for risk management purposes or to seek to increase investment income or gain in the Portfolio, or to invest in a position or gain exposure to a currency not otherwise readily available, to take a fundamental position long or short in a particular currency or for purposes of seeking to mitigate the impact of rising interest rates. With credit default swaps, the Portfolio either may sell or buy credit protection with respect to bonds, loans or other debt securities pursuant to the terms of these contracts.

When IICO believes that a temporary defensive position is desirable, due to present or anticipated market or economic conditions, it may invest up to all of the Portfolio's assets in cash or cash equivalents. The "cash equivalents" in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers' acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable quality. Subject to the Portfolio's investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. IICO also may shorten the average maturity of the Portfolio's debt holdings.

By taking a temporary defensive position in any one or more of these manners, the Portfolio may not achieve its investment objectives.

**Principal Risks.** An investment in Ivy VIP Global Bond is subject to various risks, including the following:

- |                             |                                   |
|-----------------------------|-----------------------------------|
| ■ Capital Repatriation Risk | ■ Income Risk                     |
| ■ Company Risk              | ■ Interest Rate Risk              |
| ■ Credit Risk               | ■ Liquidity Risk                  |
| ■ Emerging Market Risk      | ■ Loan Risk                       |
| ■ Extension Risk            | ■ Low-Rated Securities Risk       |
| ■ Fixed-Income Market Risk  | ■ Management Risk                 |
| ■ Foreign Currency Risk     | ■ Reinvestment Risk               |
| ■ Foreign Exposure Risk     | ■ Small Company Risk              |
| ■ Foreign Securities Risk   | ■ U.S. Government Securities Risk |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Global Bond may be subject to other, non-principal risks, including the following:

- |                    |                             |
|--------------------|-----------------------------|
| ■ Commodities Risk | ■ Convertible Security Risk |
|--------------------|-----------------------------|

- Derivatives Risk
- Foreign Currency Exchange Transactions and Forward Foreign Currency Contracts Risk
- Foreign Government Obligations and Securities of Supranational Entities Risk
- Investment Company Securities Risk
- Mortgage-Backed and Asset-Backed Securities Risk
- Preferred Stock Risk
- Redemption Risk
- Restricted Securities Risk
- Securities Lending Risk

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP High Income:** The Portfolio seeks to achieve its objective to provide total return through a combination of high current income and capital appreciation by investing primarily in a diversified portfolio of high-yield, high-risk, fixed-income securities, including secured and unsecured loan assignments, loan participations and other loan instruments (loans), of U.S. and foreign issuers, the risks of which are, in the judgment of IICO, consistent with the Portfolio's objective. There is no guarantee, however, that the Portfolio will achieve its objective.

In general, the high level of income that the Portfolio seeks is paid by debt securities rated in the lower rating categories of the NRSROs or unrated securities that are determined by IICO to be of comparable quality; these include debt securities rated BBB+ or lower by S&P, or comparably rated by another NRSRO or, if unrated, determined by IICO to be of comparable quality. The Portfolio may invest up to 100% of its total assets in non-investment-grade debt securities, commonly called "high-yield" or "junk" bonds, which include debt securities rated BB+ or lower by S&P, or comparably rated by another NRSRO or, if unrated, determined by IICO to be of comparable quality. Lower-quality debt securities (which include junk bonds) are considered to be speculative and involve greater risk of default or price changes due to changes in the issuer's creditworthiness. The market prices of these securities may fluctuate more than higher-quality securities and may decline significantly in periods of general economic difficulty.

In selecting securities, IICO may conduct an initial screening of issuers based on characteristics such as yield, performance, maturity and relative value across and within sectors. Following its initial screening, IICO may look at a number of factors beginning with a primarily bottom-up (researching individual issuers) analysis that includes extensive modeling and talking with a company's management team, industry consultants and sell-side research to help formulate opinions and progressing to consideration of the current economic environment, the direction and level of interest rates and inflation, and industry fundamentals and trends in the general economy. Other factors considered include a company's financial strength, growth of operating cash flows, strength of management, borrowing requirements, improving credit metrics, potential to improve credit standing, responsiveness to changes in interest rates and business conditions, strength of business model, competitive advantage and capital structure and future capital needs. Initial position sizes are determined based on factors that include size of issue, rating, duration, coupon, call-ability, exposure to a specific industry and leverage.

The Portfolio's holdings tend to be allocated across three major categories: core holdings (credits that IICO believes possess stable-to-improving fundamentals with lower volatility and higher credit quality characteristics); spread tightening holdings (credits where IICO has an out-of-consensus view of a company and its ability to improve its business, financials, leverage or overall market position); and opportunistic/event-driven holdings (credits that are being driven by market dislocations, such as technical selling due to outflows, rumors around an industry or company or management changes, that create unique investment opportunities). Allocations to each category will vary over time based upon market conditions.

IICO seeks companies with resilient business models and strong competitive positioning which it believes will show profit improvement and financial deleveraging. IICO believes that analysis of a company's free cash flow generation over time is critical in determining its financial health. The Portfolio may own fixed-income securities of varying maturities.

IICO attempts to optimize the Portfolio's risk/reward by investing in the debt portion of the capital structure that IICO believes to be most attractive, which may include secured and/or unsecured loans, floating rate notes and/or secured and/or unsecured high-yield bonds. For example, if IICO believes that market conditions are favorable for a particular type of fixed-income instrument, such as high-yield bonds, most or all of the fixed-income instruments in which the Portfolio invests may be high-yield bonds. Similarly, if IICO believes that market conditions are favorable for loans, most or all of the fixed-income instruments in which the Portfolio invests may be loans, including second-lien loans which typically are lower in the capital structure and less liquid than first-lien loans.

The Portfolio also may own, to a lesser degree, preferred stocks, common stocks and convertible securities and other equity securities or warrants generally incidental to the purchase or ownership of a fixed-income instrument or in connection with a reorganization of an issuer. The prices of common stocks and other equity securities tend to fluctuate in the short term, particularly those of smaller companies. The Portfolio may invest in restricted securities, including Rule 144A securities. The Portfolio may purchase shares of other investment companies, including ETFs, subject to the restrictions and limitations of the 1940 Act.

The Portfolio may invest up to 100% of its total assets in foreign securities, including securities of issuers in emerging markets. Investments in foreign securities also present additional risks such as currency fluctuations and political or economic conditions affecting the foreign country. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may use a variety of derivative instruments for various purposes. The Portfolio may, at any given time, use futures contracts and swaps (including credit default swaps and total return swaps). The Portfolio may use these derivatives in an attempt to enhance return, to hedge broad or specific fixed-income market movements, to gain or increase exposure to specific securities, sectors and/or geographical areas, to invest in foreign currencies or securities not otherwise readily available, to mitigate the impact of rising interest rates or to otherwise manage the risks of the Portfolio. In an effort to manage foreign currency exposure, the Portfolio may use forward currency contracts to either increase or decrease exposure to a given currency. With credit default swaps, the Portfolio either may sell or buy credit protection with respect to bonds, loans or other debt securities pursuant to the terms of these contracts.

When IICO believes that a full or partial temporary defensive position is desirable, due to present or anticipated market or economic conditions and to attempt to reduce the price volatility of the Portfolio, IICO may invest up to 100% of the Portfolio's assets in cash or cash equivalents. The "cash equivalents" in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers' acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable quality. Subject to the Portfolio's investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. It also may shorten the average maturity of the Portfolio's debt holdings or emphasize investment-grade debt securities.

By taking a temporary defensive position in any one or more of these manners, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP High Income is subject to various risks, including the following:

- |                            |                              |
|----------------------------|------------------------------|
| ■ Company Risk             | ■ Interest Rate Risk         |
| ■ Credit Risk              | ■ Liquidity Risk             |
| ■ Extension Risk           | ■ Loan Risk                  |
| ■ Fixed-Income Market Risk | ■ Low-Rated Securities Risk  |
| ■ Foreign Currency Risk    | ■ Management Risk            |
| ■ Foreign Exposure Risk    | ■ Reinvestment Risk          |
| ■ Foreign Securities Risk  | ■ Restricted Securities Risk |
| ■ Income Risk              |                              |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP High Income may be subject to other, non-principal risks, including the following:

- |  |   |
|--|---|
| ■ Convertible Security Risk  | ■ Investment Company Securities Risk        |
| ■ Derivatives Risk   | ■ Political, Legislative or Regulatory Risk |
| ■ Emerging Market Risk   | ■ Preferred Stock Risk                      |
| ■ Foreign Currency Exchange Transactions and Forward Foreign Currency Contracts Risk | ■ Redemption Risk                           |
|  | ■ Securities Lending Risk                   |

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Limited-Term Bond:** The Portfolio seeks to achieve its objective to provide current income consistent with preservation of capital by investing primarily in a diversified portfolio of investment-grade, limited-term debt securities (securities with a dollar-weighted average maturity of one to five years) of U.S. issuers and, to a lesser extent, U.S. dollar-denominated securities of foreign issuers. Under normal circumstances, the Portfolio invests at least 80% of its net assets, plus any borrowings for investment purposes, in bonds with limited-term maturities. The Portfolio may invest in U.S. government securities, corporate debt securities, mortgage-backed securities including CMOs and other asset-backed securities. The Portfolio seeks attractive total returns with less volatility than the broad market indexes. There is no guarantee, however, that the Portfolio will achieve its objective.



IICO may look at a number of factors in selecting securities for the Portfolio's holdings, beginning with a top-down (assessing the market environment) review of the broad economic and financial trends in the U.S. and world markets. This process aids in the determination of economic fundamentals, which leads to sector allocation. Within a sector, IICO typically considers the maturity and perceived liquidity of the security, the relative value of the security based on historical yield information, the creditworthiness of the particular issuer (if not backed by the full faith and credit of the Treasury), and prepayment risks for mortgage-backed securities and other debt securities with call provisions.

The maturity of an asset-backed security is the estimated average life of the security based on certain prescribed models or formulas used by IICO. The maturity of other types of debt securities is the earlier of the call date or the maturity date, as appropriate.

The Portfolio may invest up to 20% of its total assets in non-investment-grade debt securities. The Portfolio may use a variety of derivative instruments for various purposes. The Portfolio may, at any given time, use futures contracts, options on futures contracts, Treasury swaps and OTC options, in an attempt to hedge broad or specific fixed-income market movements, to take a directional position on interest rates, to mitigate the impact of rising interest rates, to manage or adjust the duration of its investments or to otherwise manage the risks of the Portfolio's investments.

The Portfolio may invest in Rule 144A Securities. The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

When IICO believes that a defensive position is desirable, due to present or anticipated market or economic conditions, it may take a number of actions. For example, the Portfolio may sell longer-term debt securities and buy shorter-term debt securities or invest in money market instruments. By taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Limited-Term Bond is subject to various risks, including the following:

- |                            |  |
|----------------------------|--|
| ■ Company Risk             | ■ Interest Rate Risk                               |
| ■ Credit Risk              | ■ Management Risk                                  |
| ■ Extension Risk           | ■ Mortgage-Backed and Asset-Backed Securities Risk |
| ■ Fixed-Income Market Risk | ■ Reinvestment Risk                                |
| ■ Income Risk              | ■ U.S. Government Securities Risk                  |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Limited-Term Bond may be subject to other, non-principal risks, including the following:

- |                             |                              |
|-----------------------------|------------------------------|
| ■ Derivatives Risk          | ■ Redemption Risk            |
| ■ Foreign Exposure Risk     | ■ Restricted Securities Risk |
| ■ Foreign Securities Risk   | ■ Sector Risk                |
| ■ Liquidity Risk            | ■ Securities Lending Risk    |
| ■ Low-Rated Securities Risk |                              |

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Global Equity Income:** The Portfolio seeks to achieve its objective to provide total return through a combination of current income and capital appreciation by investing in equity securities issued by companies of any size that are located largely in developed markets around the world, that IICO believes will be able to generate a reasonable level of current income for investors given current market conditions, and that demonstrate favorable prospects for total return. Under normal circumstances, the Portfolio invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities. Additionally, under normal circumstances, the Portfolio invests at least 40% (or, if IICO deems it warranted by market conditions, at least 30%) of its total assets in securities of non-U.S. issuers. The Portfolio may invest in U.S. and non-U.S. issuers, including issuers located in emerging market countries, and may invest up to 100% of its total assets in foreign securities. Although the Portfolio invests primarily in large-capitalization companies (typically companies with market capitalizations of at least \$10 billion at the time of acquisition), it may invest in companies of any size. IICO focuses on companies it believes have the ability to maintain and/or grow their dividends while providing capital appreciation over the long-term. There is no guarantee, however, that the Portfolio will achieve its objective. The Portfolio typically holds a limited number of stocks (generally 40 to 55).



In selecting securities for the Portfolio, IICO uses a company-specific stock selection process. IICO seeks to identify higher-quality companies that it believes are reasonably-valued, have a strong likelihood of maintaining and/or growing their dividend, and have a relatively stable to improving fundamental outlook, relative to market expectations. IICO considers an analysis of sectors/industries and geographical areas (when relevant) when determining the attractiveness of names and weightings of sectors, and to a lesser degree, countries. IICO also considers several other factors, including a company's history of fundamentals, ability to sustain its business model, growth potential, management proficiency and competitive environment. Part of IICO's process includes an initial screening of the investable universe based on key financial, valuation and technical criteria.

Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various additional foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

The Portfolio may invest in companies in countries with new or comparatively undeveloped and emerging economies. In addition, the Portfolio may invest in preferred stock or other instruments whose price is linked to the value of common stock.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may use a variety of derivative instruments for various purposes. In an effort to manage foreign currency exposure, the Portfolio may use forward currency contracts to either increase or decrease exposure to a given currency. In addition, the Portfolio may use a range of other derivative instruments to facilitate trading in certain securities, or to manage fund flows and/or fund liquidity.

When IICO believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The "cash equivalents" in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers' acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable high quality. Subject to the Portfolio's investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Global Equity Income is subject to various risks, including the following:

- |                                 |                           |
|---------------------------------|---------------------------|
| ■ Company Risk                  | ■ Foreign Securities Risk |
| ■ Dividend-Paying Stock Risk    | ■ Holdings Risk           |
| ■ Emerging Market Risk          | ■ Large Company Risk      |
| ■ <u>Financials Sector Risk</u> | ■ Management Risk         |
| ■ Foreign Currency Risk         | ■ Market Risk             |
| ■ Foreign Exposure Risk         |                           |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Global Equity Income may be subject to other, non-principal risks, including the following:

- |  |                           |
|--|---------------------------|
| ■ Derivatives Risk   | ■ Preferred Stock Risk    |
| ■ Foreign Currency Exchange Transactions and Forward Foreign Currency Contracts Risk | ■ <u>Redemption Risk</u>  |
| ■ Growth Stock Risk  | ■ Securities Lending Risk |
| ■ Interest Rate Risk   | ■ Small Company Risk      |
| ■ Mid-Size Company Risk  | ■ Value Stock Risk        |

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Global Growth:** The Portfolio seeks to achieve its objective to provide growth of capital by investing primarily in common stocks of U.S. and foreign companies (including depositary receipts of foreign issuers) that IICO believes are competitively well-positioned, gaining market share, have the potential for long-term growth and/or operate in regions or countries that IICO believes possess attractive growth characteristics. The Portfolio primarily invests in issuers of developed countries, including the U.S., although the Portfolio has the ability to invest in issuers domiciled in or doing business in any country or region around the globe, including emerging markets. Growth securities are those whose earnings, IICO believes, are likely to have strong growth over several years. A depositary receipt generally is issued by a

bank or other financial institution and represents an ownership interest in the common stock or other equity securities of a foreign company. IICO seeks profitable companies with a sustainable competitive advantage in their industry as well as the ability to sustain their growth rates. There is no guarantee, however, that the Portfolio will achieve its objective.

IICO begins its investment process by screening the Portfolio's investable universe by focusing on companies with above-average earnings growth, high net profit margins, and strong return on capital. Following this screening process, IICO utilizes a research-based investment process that focuses on bottom-up (researching individual issuers) stock selection. IICO seeks strong companies that possess a unique, sustainable competitive advantage that IICO believes will allow them to withstand competitive pressures, sustain margins and cash flow, and grow faster than the general economy. IICO may look at a number of factors in selecting securities for the Portfolio's holdings, including: a company's competitive position and its sustainability; a company's growth and earnings potential and valuation; a company's financials, including cash flow and balance sheet; management of the company; strength of the industry; size of the company's total addressable market; margin trends; switching costs; control of distribution channels; brand equity; scale; patent protection; and applicable economic, market and political conditions of the country in which the company is located and/or in which it is doing business. As an overlay to its bottom-up analysis, IICO considers factors such as the geographical economic environment, the political environment, regulatory policy, geopolitical risk and currency risk.

The Portfolio's holdings tend to be allocated across a spectrum of growth companies comprised of four major categories: accelerating growth (companies that IICO believes can accelerate their growth and profitability due to the introduction of a new product or service); controlled growth (companies that IICO believes possess relatively steady growth prospects irrespective of the current economic environment); cyclical growth (companies that IICO believes possess attractive long-term growth prospects, but whose near-term prospects may be economically sensitive); and relative growth (companies that IICO believes possess attractive growth prospects relative to a specific geography or sector).

Although the Portfolio primarily invests in securities issued by large-capitalization companies, it may invest in securities issued by companies of any size and in any geographical area, including the U.S., and within various sectors, which may include companies that are offered in IPOs. Under normal circumstances, the Portfolio invests at least 40% (or, if the portfolio manager deems it warranted by market conditions, at least 30%) of its total assets in foreign securities. The Portfolio may invest up to 100% of its total assets in foreign securities, including securities denominated in currencies other than the U.S. dollar. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various additional foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets. The Portfolio typically holds a limited number of stocks (generally 50 to 70).

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may use a variety of derivative instruments for various purposes. The Portfolio may, at any given time, use options, total return swaps or other derivatives. The Portfolio may use derivatives in an attempt to hedge broad or specific equity market movements, to gain or increase exposure to specific securities, sectors and/or geographical areas or to otherwise manage the risks of the Portfolio's investments. In an effort to manage foreign currency exposure, the Portfolio may use forward currency contracts to either increase or decrease exposure to a given currency. The Portfolio also may invest in ETFs as a means of gaining exposure to a particular segment of the market, which may include seeking to gain exposure to precious metals and other commodities. The Portfolio may invest in restricted securities. In addition, the Portfolio may invest in "A-shares" of certain Chinese companies — which otherwise are not eligible to be directly purchased by U.S. mutual funds — through various trading programs with Chinese-based stock exchanges.

When IICO believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The "cash equivalents" in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers' acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable high quality. Subject to the Portfolio's investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. IICO also may avoid investment in volatile emerging markets and increase investments in more stable, developed countries and industries, including investments in long-term U.S. or foreign government bonds; and it also may invest all of its assets in U.S. securities. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Global Growth is subject to various risks, including the following:

- Company Risk
- Depository Receipts Risk
- Emerging Market Risk
- Foreign Currency Risk

- Foreign Exposure Risk
- Foreign Securities Risk
- Growth Stock Risk

- Holdings Risk
- Information Technology Sector Risk
- Large Company Risk
- Management Risk
- Market Risk
- Sector Risk

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Global Growth may be subject to other, non-principal risks, including the following:

- China Investment Risk
- Commodities Risk
- Derivatives Risk
- Foreign Currency Exchange Transactions and Forward Foreign Currency Contracts Risk
- Initial Public Offering (IPO) Risk
- Interest Rate Risk
- Investment Company Securities Risk
- Liquidity Risk
- Mid-Size Company Risk
- Redemption Risk
- Restricted Securities Risk
- Securities Lending Risk
- Small Company Risk

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP International Core Equity:** The Portfolio seeks to achieve its objective to provide capital growth and appreciation by investing, under normal circumstances, at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities. Such companies primarily will be located in, or principally traded in, developed European and Asian/Pacific Basin markets. Such securities are primarily issued by what IICO believes to be reasonably valued companies with strong cash flows and exposure to global investment themes. The Portfolio also may invest in depositary receipts of foreign issuers. IICO also may employ a growth approach by seeking companies whose earnings it believes will grow faster than the economy. Although the Portfolio primarily invests in securities issued by large-capitalization companies (typically, companies with capitalizations of at least \$10 billion at the time of acquisition), it may invest in securities issued by companies of any size. There is no guarantee, however, that the Portfolio will achieve its objective.

IICO believes that there are often dislocations and valuation discrepancies in the international financial markets and, therefore, it seeks to find and invest in what it believes are mispriced countries, sectors, currencies and, ultimately, stocks with attractive valuations relative to their potential and to their global peer group. The Portfolio invests in a variety of sectors, countries and currencies in an effort to gain diversification. IICO combines a top-down (assessing the market environment), macro approach with a bottom-up (researching individual issuers) stock selection process.

As noted, IICO begins its investment process by establishing a top-down global macro view which is built by constantly assessing developments in global gross domestic product, business and product cycles, foreign exchange, relative valuations and politics around the world. It then overlays its long-term investment themes on top of the macro view in an effort to identify sectors, countries and currencies that IICO believes will benefit under its macro view. IICO next follows a bottom-up approach to its stock selection and evaluates individual companies based on various factors, including: free cash flow, sales growth, financial leverage, and return on invested capital along with various valuation metrics. IICO uses various data and screening services as part of its stock-selection process, primarily to assess return on invested capital and relative valuation.

IICO uses a combination of country analysis (economic growth, money flows, business cycle, interest rates, political climate, and currencies), sector and industry dynamics (growth opportunities, competitive dynamics, cyclical sensitivity, and economic returns), and individual stock selection (strong free cash flow, dividend yields, strengthening fundamentals, solid or improving competitive advantage, higher expected returns, value relative to peers and improving growth prospects). The Portfolio may invest in issuers located or doing business in emerging market countries, which generally will include the more developed of the emerging market countries. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various additional foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets. The Portfolio may invest in companies that are offered in IPOs.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may use a variety of derivative instruments for various purposes. In an effort to manage foreign currency exposure, the Portfolio may use forward currency contracts to either increase or decrease exposure to a given currency. The Portfolio also may use a range of other derivative instruments, including total return swaps, in seeking to hedge or manage broad or specific equity market movements, to facilitate trading in certain securities, or to manage exposure to specific securities, sectors and/or geographical areas. In addition, the Portfolio may use written options on individual equity securities to enhance return.

The Portfolio also may invest in ETFs as a means of gaining exposure to a particular segment of the market, which may include seeking to gain exposure to commodities. In addition, the Portfolio may invest in “A-shares” of certain Chinese companies — which otherwise are not eligible to be directly purchased by U.S. mutual funds — through various trading programs with Chinese-based stock exchanges.

When IICO believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The “cash equivalents” in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers’ acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable high quality. Subject to the Portfolio’s investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. However, by taking a temporary defensive position the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP International Core Equity is subject to various risks, including the following:

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|--|---------------------------|
| ■ Company Risk   | ■ Foreign Securities Risk |
| ■ Depositary Receipts Risk   | ■ Large Company Risk      |
| ■ Derivatives Risk   | ■ Management Risk         |
| ■ Emerging Market Risk   | ■ Market Risk             |
| ■ Foreign Currency Exchange Transactions and Forward Foreign Currency Contracts Risk | ■ Regional Focus Risk     |
| ■ Foreign Currency Risk  | ■ Theme Risk              |
| ■ Foreign Exposure Risk  | ■ Value Stock Risk        |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP International Core Equity may be subject to other, non-principal risks, including the following:

- |                                      |                                      |
|--------------------------------------|--------------------------------------|
| ■ China Investment Risk              | ■ Investment Company Securities Risk |
| ■ Commodities Risk                   | ■ Mid-Size Company Risk              |
| ■ Growth Stock Risk                  | ■ Redemption Risk                    |
| ■ Holdings Risk                      | ■ Securities Lending Risk            |
| ■ Initial Public Offering (IPO) Risk | ■ Small Company Risk                 |

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Asset Strategy:** The Portfolio seeks to achieve its objective by allocating its assets among different asset classes of varying correlation around the globe. IICO begins its investment process by investing a portion of the Portfolio’s assets in global equity securities that IICO believes can outperform the Portfolio’s benchmark index, the MSCI ACWI Index, over a full market cycle (the Equity Sleeve). IICO then invests the Portfolio’s remaining assets in various additional asset classes, including global fixed-income securities, Treasury instruments, precious metals, commodities and cash (the Diversifying Sleeve), which seek to provide returns to the Portfolio while having less correlation to the Equity Sleeve. IICO may allocate the Portfolio’s investments among these different asset classes in different proportions at different times, but generally seeks to invest 55% — 65% of the Portfolio’s total assets (with a long-term target of approximately 60%) in the Equity Sleeve and 35% — 45% of the Portfolio’s total assets (with a long-term target of approximately 40%) in the Diversifying Sleeve.

In selecting securities for the Portfolio, IICO primarily emphasizes a bottom-up (researching individual issuers) approach and seeks to find relative value across the asset classes noted above. Part of IICO’s investment process also includes a top-down (assessing the market and economic environment) analysis.

With respect to the Equity Sleeve, IICO seeks what it believes are well-positioned companies with a strong and / or growing sustainable competitive advantage in attractive industries across the globe which IICO believes can exceed current earnings estimates. IICO looks for companies that are taking market share within their industries, which results in high levels of cash flow, as well as stable to improving margins and returns. IICO generally focuses on companies that are growing, innovating, improving margins, returning capital through dividend growth or share buybacks and / or offering what IICO believes to be sustainable high free cash flow.

Within the Equity Sleeve, the Portfolio has the flexibility to invest in both growth and value companies. The Portfolio will tend to emphasize growth-oriented companies, but will typically shift towards value-oriented companies when it feels growth stocks are too expensive on a relative basis or during an economic cycle where IICO believes that cyclical



companies have become oversold. Although the Portfolio primarily invests in securities issued by large-capitalization companies (typically, companies with market capitalizations of at least \$10 billion at the time of acquisition), it may invest in securities issued by companies of any size. The Equity Sleeve typically holds a limited number of stocks (generally 50 to 70).

Within the Diversifying Sleeve, the Portfolio has the flexibility to invest in a wide range of assets that, in IICO's view, present attractive risk-adjusted returns as compared to the Equity Sleeve, and/or reduce the Portfolio's overall risk profile because such assets have less correlation to the assets within the Equity Sleeve. Diversifying assets may be comprised of global fixed-income instruments, including investment-grade and high-yield bonds, as well as emerging market, corporate and sovereign bonds and bank loans, although IICO anticipates that a majority of the assets within the Diversifying Sleeve will consist of investment-grade securities. As noted, such fixed-income instruments may include high-yield/high-risk bonds, or junk bonds, which include bonds rated BB+ or below by S&P, or comparably rated by another NRSRO or, if unrated, determined by IICO to be of comparable quality; although IICO anticipates that investments in junk bonds will be minimal within the Diversifying Sleeve, and, in no event, will such investments exceed 10% of the Portfolio's total assets. When selecting these instruments, IICO focuses heavily on free cash flow and an issuer's ability to delever itself through the credit cycle. The Portfolio also can invest in government securities issued by the Treasury (such as Treasury bills, notes or bonds), obligations issued or guaranteed as to principal and interest (but not as to market value) by the U.S. government, its agencies or instrumentalities, and mortgage-backed securities issued or guaranteed by government agencies or government-sponsored enterprises, as well as TIPs, REITs, precious metals, commodities and cash.

Within each of the Equity Sleeve and the Diversifying Sleeve, the Portfolio may invest in U.S. and foreign securities. The Equity Sleeve of the Portfolio generally will invest at least 30% of its assets, and may invest up to 75%, in foreign securities and in securities denominated in currencies other than the U.S. dollar, including issuers located in and/or generating revenue from emerging markets. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

IICO may allocate the Portfolio's investments among the different types of assets noted above in different proportions at different times (keeping in mind the general percentages noted above) and may exercise a flexible strategy in selecting investments. IICO does not intend to concentrate the Portfolio in any geographical region or industry sector; however, it is not limited by investment style or by the issuer's location or industry sector.

Subject to diversification limits, the Portfolio also may invest up to 10% of its total assets at the time of investment in precious metals. The Portfolio gains exposure to commodities, including precious metals, derivatives and commodity-linked instruments, by investing in a Subsidiary. The Subsidiary is wholly-owned and controlled by the Portfolio. The Portfolio's investment in the Subsidiary is expected to provide the Portfolio with exposure to investment returns from commodities, derivatives and commodity-linked instruments within the limits of the federal tax requirements applicable to regulated investment companies, such as the Portfolio. The Subsidiary is subject to the same general investment policies and restrictions as the Portfolio, except that unlike the Portfolio, the Subsidiary is able to invest without limitation in commodities, derivatives and commodity-linked instruments and, to the extent the Subsidiary invests in derivative instruments, it may use leveraged investment techniques.

The Portfolio previously invested in private placements and other restricted securities in an amount up to 15% of its net assets, in accordance with its investment restrictions. Private placements and other restricted securities may be difficult to resell because a ready market for resale may not exist at any given time. While the Portfolio may continue to invest in various types of restricted securities, including Rule 144A Securities, the Portfolio does not intend to further invest in private placements and seeks to sell its remaining holdings of such private placement securities as opportunities arise for such sale.

The Portfolio may purchase shares of another investment company subject to the restrictions and limitations of the 1940 Act. The Portfolio also may invest in ETFs as a means of tracking the performance of a designated stock index while also maintaining liquidity, or to gain exposure to precious metals and other commodities without purchasing them directly. The Portfolio may invest in companies that are offered in IPOs. The Portfolio also may invest in separately traded principal and interest components of securities issued or guaranteed by the Treasury under the STRIPS program. In addition, the Portfolio may invest in "A-shares" of certain Chinese companies — which otherwise are not eligible to be directly purchased by U.S. mutual funds — through various trading programs with Chinese-based stock exchanges. The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

Generally, in determining whether to sell a security within the Equity Sleeve, IICO considers many factors, which may include a deterioration in a company's fundamentals caused by global-specific factors such as geo-political landscape changes, regulatory or currency changes, or increased competition, as well as company-specific factors, such as reduced pricing power, diminished market opportunity, or increased competition. IICO also may sell a security if the price of the



security reaches what IICO believes is fair value, to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities, or to raise cash. Within the Diversifying Sleeve, IICO generally sells assets when, in IICO's view, such assets no longer have the ability to provide equity-like returns or no longer provide the desired portfolio diversification.

The Portfolio may use a variety of derivative instruments for various purposes. The Portfolio may, at any given time, use options, both written and purchased, on an index or on individual or baskets of equity securities, in an attempt to gain exposure to certain sectors or securities or to enhance income. The Portfolio also may, when consistent with the Portfolio's investment objective, seek to manage foreign currency exposure by utilizing forward contracts and option contracts, both written and purchased, either to increase or decrease exposure to a given currency. In addition, the Portfolio may use total return swaps in an attempt to increase exposure to various equity sectors and markets or individual or baskets of equity securities.

**Principal Risks.** An investment in Ivy VIP Asset Strategy is subject to various risks, including the following:

- Commodities Risk
- Company Risk
- Credit Risk
- Emerging Market Risk
- Foreign Currency Risk
- Foreign Exposure Risk
- Foreign Securities Risk
- Growth Stock Risk
- Holdings Risk
- Interest Rate Risk
- Large Company Risk
- Liquidity Risk
- Low-Rated Securities Risk
- Management Risk
- Market Risk
- Mortgage-Backed and Asset-Backed Securities Risk
- Subsidiary Investment Risk
- U.S. Government Securities Risk
- Value Stock Risk

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Asset Strategy may be subject to other, non-principal risks, including the following:

- China Investment Risk
- Derivatives Risk
- Foreign Currency Exchange Transactions and Forward Foreign Currency Contracts Risk
- Initial Public Offering (IPO) Risk
- Investment Company Securities Risk
- Loan Risk
- Mid-Size Company Risk
- Redemption Risk
- Reinvestment Risk
- REIT-Related Risk
- Restricted Securities Risk
- Sector Risk
- Securities Lending Risk
- Small Company Risk
- Subsidiary Tax Risk

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Balanced:** The Portfolio seeks to achieve its objective to provide total return through a combination of capital appreciation and current income by investing primarily in a diversified mix of stocks, debt securities and short-term instruments, depending on market conditions. There is no guarantee, however, that the Portfolio will achieve its objective.

The Portfolio invests at least 50% of its total assets in equity securities with the objective of providing potential capital appreciation and some dividend income. The Portfolio invests at least 30% of its total assets in debt securities, with the objective of providing income and relative stability of capital. The Portfolio also may invest in convertible securities and preferred stocks.

Investment opportunities typically fall into two categories: company-specific ideas which include factors such as a company's competitive positioning, production cycles, cost restructuring or a new management team; and thematic ideas where IICO considers economic or political forces, interest rate term structure variances, cyclical inflections, changes in consumer behavior or technology shifts.

In its equity investments, the Portfolio begins its investment process by screening companies based on profitability, and then focuses on capital appreciation and some dividend income and follows a growth at a reasonable price investment strategy. The Portfolio invests primarily in medium to large, well-established companies, most of which pay a regular dividend, although it may invest in securities issued by companies of any size. In evaluating investments for the Portfolio, IICO focuses on companies with resilient business models characterized by stable growth rates; strong balance sheets; relative strength in earnings; attractive return profiles and valuation; and strong free cash flow generation. In so doing, IICO evaluates a company's management team, its financial position, its competitive position and the condition of its respective industry in addition to other factors. IICO utilizes financial statements, independent research by its investment management personnel, third party research, brand studies done by outside parties and other tools and processes to identify what it believes to be attractive investment opportunities with a focus on the trajectory and

sustainability of a company's business model. IICO also focuses on companies that possess a sustainable competitive advantage, by evaluating factors such as brand equity/loyalty, proprietary technology, switching costs, access to distribution channels, capital requirements, economies of scale, and barriers to entry. The equity portion of the Portfolio typically will include a limited number of stocks (generally 45 to 55), which may include companies that are offered in IPOs.

In its fixed-income investments, IICO focuses on current income and capital preservation. The majority of the Portfolio's debt securities are either U.S. government securities or investment-grade corporate bonds rated BBB- or higher by S&P, or comparably rated by another NRSRO or, if unrated, determined by IICO to be of comparable quality. The Portfolio may invest up to 20% of its total assets in non-investment-grade debt securities, which may include floating rate notes or secured bank loans. The Portfolio has no limitations on coupon type (*i.e.*, fixed, floating, zero), the range of maturities of the debt securities in which it may invest or on the size of companies in which it may invest.

The Portfolio may invest up to 25% of its total assets in foreign securities, including equity and fixed-income securities. An investment in foreign securities presents additional risks such as currency fluctuations and political or economic conditions affecting the foreign country. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may use a variety of derivative instruments for various purposes. The Portfolio may, at any given time, use futures contracts and/or options, both written and purchased, on individual equity securities owned by the Portfolio and on U.S. and/or foreign equity indexes, in an attempt to enhance return or to hedge broad or specific equity or fixed-income market movements.

When IICO believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The "cash equivalents" in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers' acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable high quality. Subject to the Portfolio's investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Balanced is subject to various risks, including the following:

- |                              |                                   |
|------------------------------|-----------------------------------|
| ■ Company Risk               | ■ Large Company Risk              |
| ■ Credit Risk                | ■ Low-Rated Securities Risk       |
| ■ Dividend-Paying Stock Risk | ■ Management Risk                 |
| ■ Fixed-Income Market Risk   | ■ Market Risk                     |
| ■ Foreign Exposure Risk      | ■ Mid-Size Company Risk           |
| ■ Foreign Securities Risk    | ■ Preferred Stock Risk            |
| ■ Growth Stock Risk          | ■ Reinvestment Risk               |
| ■ Holdings Risk              | ■ U.S. Government Securities Risk |
| ■ Interest Rate Risk         | ■ Value Stock Risk                |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Balanced may be subject to other, non-principal risks, including the following:

- |                                      |  |
|--------------------------------------|--|
| ■ Convertible Security Risk          | ■ Mortgage-Backed and Asset-Backed Securities Risk |
| ■ Derivatives Risk                   | ■ Redemption Risk                                  |
| ■ Initial Public Offering (IPO) Risk | ■ Securities Lending Risk                          |
| ■ Liquidity Risk                     | ■ Small Company Risk                               |
| ■ Loan Risk                          |  |

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Energy:** The Portfolio seeks to achieve its objective to provide capital growth and appreciation by investing, under normal circumstances, at least 80% of its net assets, plus any borrowings for investment purposes, in securities of companies within the energy sector, which includes all aspects of the energy industry, such as exploration, discovery, production, distribution or infrastructure of energy and/or alternative energy sources. These companies may include, but are not limited to, oil companies, oil and gas drilling, equipment and services companies, oil and gas exploration and

production companies, oil and gas storage and transportation companies, natural gas pipeline companies, refinery companies, energy conservation companies, coal, transporters, utilities, alternative energy companies and innovative energy technology companies. The Portfolio also may invest in companies that are not within the energy sector that are engaged in the development of products and services to enhance energy efficiency for the users of those products and services.

The Portfolio is non-diversified, meaning that it may invest a significant portion of its total assets in a limited number of issuers.

After conducting a top-down (assessing the market environment) market analysis of the energy industry and geopolitical issues and then identifying trends and sectors, IICO uses a research-oriented, bottom-up (researching individual issuers) investment approach when selecting securities for the Portfolio, focusing on company fundamentals and growth prospects. IICO searches for what it believes are well-managed companies with strong balance sheets; low cost structure; capital discipline; business model; barriers to entry, competitive advantage; high incremental returns and margins; profitable growth; and strong assets and management. The Portfolio invests in a blend of value and growth companies across the capitalization spectrum, which may include companies that are offered in IPOs, and emphasizes companies that IICO believes are strongly managed and can generate above average capital growth and appreciation. The Portfolio typically holds a limited number of stocks (generally 35 to 50). There is no guarantee, however, that the Portfolio will achieve its objective.

While IICO typically seeks to invest a majority of the Portfolio's assets in U.S. securities, the Portfolio may invest up to 100% of its total assets in foreign securities. An investment in foreign securities presents additional risks such as currency fluctuations and political or economic conditions affecting the foreign country. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, potentially including companies domiciled or traded or doing business in emerging markets, even if the Portfolio is not invested directly in such markets.

Primarily investing in the energy sector can be riskier than other types of investment activities because of a range of factors, including price fluctuation caused by real or perceived inflationary trends and political developments, and the cost assumed by energy companies in complying with environmental and safety regulations.

The Portfolio also is subject to the risk that the earnings, dividends and securities prices of energy companies will be greatly affected by changes in the prices and supplies of oil and other energy fuels. Prices and supplies of energy may fluctuate significantly over any time period due to many factors, including:

- international political developments
- production and distribution policies of the Organization of Petroleum Exporting Countries (OPEC) and other oil-producing countries
- relationships among OPEC members and other oil-producing countries and between those countries and oil-importing nations
- energy conservation
- the regulatory environment
- tax policies
- the economic growth and political stability of the key energy-consuming countries

The Portfolio may use a range of other investment techniques, including investing in MLPs. An MLP is an entity that combines the tax benefits of a partnership with the liquidity of publicly traded securities. The MLPs in which the Portfolio may invest are primarily engaged in investing in oil and gas-related businesses, including energy processing and distribution. The Portfolio's investments in MLPs will be limited by tax considerations.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may use forward currency contracts in an effort to manage foreign currency exposure.

When IICO believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The "cash equivalents" in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers' acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable high quality. Subject to the Portfolio's investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Energy is subject to various risks, including the following:

- Company Risk
- Concentration Risk
- Energy Sector Risk
- Foreign Exposure Risk
- Foreign Securities Risk
- Growth Stock Risk
- Holdings Risk
- Initial Public Offering (IPO) Risk
- Management Risk
- Market Risk
- Non-Diversification Risk
- Value Stock Risk

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Energy may be subject to other, non-principal risks, including the following:

- Derivatives Risk
- Emerging Market Risk
- Foreign Currency Exchange Transactions and Forward Foreign Currency Contracts Risk
- Foreign Currency Risk
- Large Company Risk
- Liquidity Risk
- Master Limited Partnership (MLP) Risk
- Mid-Size Company Risk
- Redemption Risk
- Securities Lending Risk
- Small Company Risk

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Natural Resources:** The Portfolio seeks to achieve its objective to provide capital growth and appreciation by investing, under normal circumstances, at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with operations throughout the world that own, explore or develop natural resources and other basic commodities or supply goods and services to such companies. There is no guarantee, however, that the Portfolio will achieve its objective.

IICO attempts to manage risk through diversifying the Portfolio's holdings by commodity, country, issuer, and market capitalization of companies; however, such diversification may not necessarily reduce Portfolio volatility.

The Portfolio is non-diversified, meaning that it may invest a significant portion of its total assets in a limited number of issuers.

After conducting a top-down (assessing the market environment) market analysis of the natural resources industry and identifying trends and sectors, IICO uses a research-oriented, bottom-up (researching individual issuers) investment approach when selecting securities for the Portfolio, focusing on company fundamentals and growth prospects. IICO searches for what it believes are well-managed companies with strong balance sheets; low cost structure; capital discipline; business model; barriers to entry; competitive advantage; high incremental returns and margins; profitable growth; strong management; and the technological capability and expertise to grow independently of commodity prices. The Portfolio invests in a blend of value and growth companies across the capitalization spectrum, which may include companies that are offered in IPOs, and emphasizes companies that IICO believes are strongly managed and can generate above-average capital growth and appreciation. In addition, IICO focuses on companies that it believes are high quality, have the potential for sustainable long-term growth and that are low-cost leaders that possess historically strong-producing assets. From a macro perspective, IICO monitors demand expectations for various commodities and utilizes this information to adjust the level of sector exposure and individual security holdings in the Portfolio.

The Portfolio seeks to be diversified internationally, and therefore, IICO invests in foreign companies and U.S. companies that have principal operations in foreign jurisdictions. While IICO typically seeks to invest a majority of the Portfolio's assets in the U.S., the Portfolio may invest up to 100% of its total assets in foreign securities. Exposure to companies in any one particular foreign country typically is less than 20% of the Portfolio's total assets. The Portfolio also may have exposure to companies located in, and/or doing business in, emerging markets.

Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets. The Portfolio typically holds a limited number of stocks (generally 40 to 65). Under normal circumstances, IICO anticipates that a significant portion of the Portfolio's holdings will consist of issuers in the energy and materials sectors.

The Portfolio may use a variety of derivative instruments for various purposes. The Portfolio may use forward currency contracts in an effort to manage foreign currency exposure. In seeking to manage the Portfolio's exposure to precious metals, the Portfolio may use futures contracts, both long and short positions, as well as options, both written and purchased, on precious metals.



The Portfolio may use a range of other investment techniques, including investing in publicly traded partnerships (often referred to as MLPs). An MLP is an entity that combines the tax benefits of a partnership with the liquidity of publicly traded securities. The MLPs in which the Portfolio may invest are primarily engaged in investing in oil and gas-related businesses, including energy processing and distribution. The Portfolio's investments in MLPs will be limited by tax considerations.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

When IICO believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The "cash equivalents" in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers' acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable high quality. Subject to the Portfolio's investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Natural Resources is subject to various risks, including the following:

- |  |                                   |
|--|-----------------------------------|
| ■ <u>Commodities Risk</u>  | ■ Growth Stock Risk               |
| ■ <u>Company Risk</u>  | ■ Holdings Risk                   |
| ■ <u>Concentration Risk</u>  | ■ Liquidity Risk                  |
| ■ Emerging Market Risk   | ■ Management Risk                 |
| ■ Energy Sector Risk   | ■ Market Risk                     |
| ■ Foreign Currency Exchange Transactions and Forward Foreign Currency Contracts Risk | ■ Materials Sector Risk           |
| ■ Foreign Currency Risk  | ■ Natural Resources Industry Risk |
| ■ Foreign Exposure Risk  | ■ Non-Diversification Risk        |
| ■ Foreign Securities Risk  | ■ Sector Risk                     |
|  | ■ Value Stock Risk                |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Natural Resources may be subject to other, non-principal risks, including the following:

- |   |                           |
|---|---------------------------|
| ■ <u>Depository Receipts Risk</u>       | ■ Metals Investment Risk  |
| ■ Derivatives Risk                      | ■ Mid-Size Company Risk   |
| ■ Initial Public Offering (IPO) Risk    | ■ Redemption Risk         |
| ■ Large Company Risk                    | ■ Securities Lending Risk |
| ■ Master Limited Partnership (MLP) Risk | ■ Small Company Risk      |

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Science and Technology:** The Portfolio seeks to achieve its objective to provide growth of capital by investing primarily in the equity securities of science and technology companies around the globe. Under normal circumstances, the Portfolio invests at least 80% of its net assets, plus any borrowings for investment purposes, in securities of science or technology companies. Such companies may include those that, in the opinion of IICO, derive a competitive advantage by the application of scientific or technological developments or discoveries to grow their business or increase their competitive advantage. Science and technology companies are companies whose products, processes or services, in IICO's opinion, are being, or are expected to be, significantly benefited by the use or commercial application of scientific or technological developments or discoveries. Additionally, the Portfolio may invest in companies that utilize science and/or technology as an agent of change to significantly enhance their business opportunities (applied science and technology companies).

The Portfolio is non-diversified, meaning that it may invest a significant portion of its total assets in a limited number of issuers.

The Portfolio may invest in securities issued by companies of any size, which may include companies that are offered in IPOs, and may invest without limitation in foreign securities, including securities of issuers within emerging markets.

The Portfolio may invest in any geographical area. The Portfolio typically holds a limited number of stocks (generally 35 to 60). Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various additional foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets. There is no guarantee, however, that the Portfolio will achieve its objective.



In its selection of securities for investment by the Portfolio, IICO aims to identify companies that it believes are benefiting from the world's strongest secular economic trends, and then applies its largely bottom-up (researching individual issuers) research to identify what it believes are the best holdings for the Portfolio. IICO considers, among other factors, a company's growth potential, earnings potential, quality of management, valuation, financial statements, industry position/market size potential and applicable economic and market conditions, as well as whether a company's products and services have high barriers to entry. IICO carefully monitors the macroeconomic environment, but its focus remains primarily on security-specific fundamental research.

The Portfolio may invest in, but is not limited to, areas such as:

Science:

- |                                |                       |
|--------------------------------|-----------------------|
| ■ pharmaceuticals              | ■ genomics            |
| ■ medical technology equipment | ■ proteomics          |
| ■ biotechnology                | ■ healthcare services |

Technology:

- |                              |                      |
|------------------------------|----------------------|
| ■ semiconductors             | ■ entertainment      |
| ■ computer hardware          | ■ content media      |
| ■ IT services                | ■ data processing    |
| ■ software                   | ■ internet           |
| ■ networking                 | ■ energy efficiency  |
| ■ telecommunication services | ■ alternative energy |
| ■ defense electronics        |                      |

Applied Science and Technology:

- |                          |                  |
|--------------------------|------------------|
| ■ agriculture            | ■ energy         |
| ■ financial services     | ■ transportation |
| ■ consumer discretionary | ■ retail         |
| ■ industrials            |                  |

The Portfolio primarily owns common stocks; however, it may invest, to a lesser extent, in debt securities. The Portfolio may invest up to 20% of its total assets in non-investment-grade fixed-income securities, which are securities rated BB+ or lower by S&P, or comparably rated by another NRSRO or, if unrated, determined by IICO to be of comparable quality. The Portfolio may invest in restricted securities.

The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

The Portfolio may use a variety of derivative instruments for various purposes. The Portfolio may, at any given time, use options, both written and purchased, on individual equity securities owned by the Portfolio, baskets of equity securities and equity indexes, as well as futures contracts on equity indexes. The Portfolio may use derivatives in an attempt to enhance return, to hedge broad or specific equity market movements, to gain or increase exposure to specific securities, sectors and/or geographical areas, to gain exposure more efficiently than through a direct purchase of the security or to otherwise manage the risks of the Portfolio's investments. In an effort to manage foreign currency exposure, the Portfolio may use forward currency contracts to either increase or decrease exposure to a given currency. Additionally, the Portfolio may invest in ETFs as a means of gaining exposure to a particular segment of the market and/or to invest cash effectively. In addition, the Portfolio may invest in "A-shares" of certain Chinese companies — which otherwise are not eligible to be directly purchased by U.S. mutual funds — through various trading programs with Chinese-based stock exchanges.

When IICO believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The "cash equivalents" in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers' acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which IICO believes are of comparable high quality. Subject to the Portfolio's investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Science and Technology is subject to various risks, including the following:

- |                      |                         |
|----------------------|-------------------------|
| ■ Company Risk       | ■ Emerging Market Risk  |
| ■ Concentration Risk | ■ Foreign Exposure Risk |

- Foreign Securities Risk
- Growth Stock Risk
- Holdings Risk
- Information Technology Sector Risk

- Large Company Risk
- Liquidity Risk
- Management Risk
- Market Risk
- Mid-Size Company Risk
- Non-Diversification Risk
- Science and Technology Industry Risk
- Small Company Risk

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Science and Technology may be subject to other, non-principal risks, including the following:

- China Investment Risk
- Derivatives Risk
- Foreign Currency Exchange Transactions and Forward Foreign Currency Contracts Risk
- Foreign Currency Risk
- Health Care Sector Risk
- Initial Public Offering (IPO) Risk
- Investment Company Securities Risk
- Low-Rated Securities Risk
- Redemption Risk
- Restricted Securities Risk
- Securities Lending Risk

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Securian Real Estate Securities:** The Portfolio seeks to achieve its objective to provide total return through capital appreciation and current income by investing, under normal circumstances, at least 80% of its net assets, plus any borrowings for investment purposes, in the securities of companies in the real estate or real estate-related industries. The Portfolio does not invest directly in real estate. The Portfolio may invest in securities of issuers of any size, including issuers with small, mid or large market capitalizations, although the Portfolio generally tends to focus on mid- and large-capitalization issuers. There is no guarantee, however, that the Portfolio will achieve its objective.

“Real estate” securities include securities offered by issuers that receive at least 50% of their gross revenue from the construction, ownership, leasing, management, financing or sale of residential, commercial or industrial real estate. Real estate securities issuers typically include REITs, REOCs, real estate brokers and developers, real estate managers, hotel franchisers, real estate holding companies and publicly-traded limited partnerships.

“Real estate-related” securities include securities issued by companies primarily engaged in businesses that sell or offer products or services that are closely related to the real estate industry. Real estate-related securities issuers typically include construction and related building companies, manufacturers and distributors of building supplies, brokers, financial institutions that issue or service mortgages and resort companies.

In its analysis of companies, Securian AM has built a network of industry contacts that is designed to enhance its knowledge of a company’s underlying assets. Securian AM utilizes this knowledge and its diligent focus on company fundamentals in selecting securities for the Portfolio. Securian AM believes that the core operating performance of a company is a key determinant in its stock performance.

Securian AM primarily utilizes a bottom-up (researching individual issuers) fundamental stock-picking approach in selecting what it believes are high-quality securities for investment by the Portfolio, which may include consideration of factors such as an issuer’s financial condition and valuation, financial performance, quality of management, policies and strategies, real estate properties and competitive market condition. Other key attributes considered include an issuer’s liquidity, transparency, diversification, return history and cash flow growth potential, as well as portfolio quality, market exposure, capital structure, business strategy risk, income volatility and corporate governance. The Portfolio then generally invests in those issuers that Securian AM believes have potential for long-term sustainable growth in earnings, or those trading at discounts to the underlying value of assets owned. Securian AM also seeks companies it believes have strong profitability and the ability to provide a strong return on investment, a dominant market position, stable property management and high-quality buildings and building maintenance. As part of its investment process, Securian AM also uses a top-down overlay to consider macro-economic and technical factors impacting real estate securities, including U.S. economic growth projections, employment trends, regional economic growth patterns, current and forecasted financial market conditions, global economic trends, interest rate levels and expectations and public policy initiatives.

Most of the Portfolio’s real estate securities portfolio consists of securities issued by REITs and REOCs that are listed on a securities exchange or traded over-the-counter. A REIT is a corporation (or trust or association that otherwise would be taxable as such) that invests in real estate, mortgages on real estate or shares issued by other REITs. REITs may be characterized as equity REITs (that is, REITs that primarily invest in land and improvements thereon), mortgage REITs (that is, REITs that primarily invest in mortgages on real estate and other real estate debt) or hybrid REITs, which invest in both land and improvements thereon and real estate mortgages. The Portfolio primarily invests in shares of equity REITs but also invests lesser portions of its assets in shares of mortgage REITs and hybrid REITs. A REIT that meets the applicable requirements of the Internal Revenue Code of 1986, as amended (Code), may deduct dividends paid to

shareholders, effectively enabling it to eliminate any entity-level federal income tax. As a result, REITs (like regulated investment companies such as the Portfolio) distribute a larger portion of their earnings to investors than other entities subject to federal income tax that cannot deduct such dividends. A REOC is a corporation or partnership (or an entity classified as such for federal tax purposes) that invests in real estate, mortgages on real estate or shares issued by REITs, but also may engage in related or unrelated businesses. A REOC typically is structured as a “C” corporation under the Code and does not qualify for the pass-through tax treatment that is accorded a REIT. In addition, the value of the Portfolio’s securities issued by REOCs may be adversely affected by income streams derived from businesses other than real estate ownership.

The Portfolio may invest up to 25% of its total assets in foreign securities and may invest up to 20% of its net assets in securities issued by companies outside of the real estate industry. An investment in foreign securities presents additional risks such as currency fluctuations and political or economic conditions affecting the foreign country. Many of the companies in which the Portfolio may invest have diverse operations, with products or services in foreign markets. Therefore, the Portfolio may have indirect exposure to various foreign markets through investments in these companies, even if the Portfolio is not invested directly in such markets.

The Portfolio also may invest in an ETF to replicate a REIT or real estate stock index or a basket of REITs or real estate stocks, as well as in an ETF that attempts to provide enhanced performance, or inverse performance, on such indexes or baskets. The Portfolio may invest in companies that are offered in IPOs. The Portfolio may lend its portfolio securities to brokers, dealers and other financial institutions. In connection with such loans, the Portfolio receives liquid collateral equal to at least 102% (105% for international securities) of the value of the loaned portfolio securities. This collateral is marked-to-market on a daily basis.

An investment in the Portfolio may encounter the risk of greater volatility, due to the limited number of issuers of real estate and real estate-related securities, than an investment in a portfolio of securities selected from a greater number of issuers. Moreover, the value of the Portfolio’s investments may decrease due to fluctuations in rental income, overbuilding and increased competition, casualty and condemnation losses, environmental costs and liabilities, changes in the Code or failure to meet Code requirements, extended vacancies of property, lack of available mortgage funds, government regulation and limitations, increases in property taxes, cash flow dependency, declines in real estate value, physical depreciation of buildings, inability to obtain project financing, increased operating costs and changes in general or local economic conditions.

When Securian AM believes that a temporary defensive position is desirable, the Portfolio may invest up to all of its assets in cash or cash equivalents. The “cash equivalents” in which the Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers’ acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which Securian AM believes are of comparable high quality. Subject to the Portfolio’s investment policies and restrictions, the Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivatives, for defensive purposes. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Securian Real Estate Securities is subject to various risks, including the following:

- |                      |                             |
|----------------------|-----------------------------|
| ■ Company Risk       | ■ Management Risk           |
| ■ Concentration Risk | ■ Market Risk               |
| ■ Holdings Risk      | ■ Real Estate Industry Risk |
| ■ Income Risk        | ■ REIT-Related Risk         |
| ■ Interest Rate Risk | ■ REOC-Related Risk         |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Securian Real Estate Securities may be subject to other, non-principal risks, including the following:

- |                                      |                           |
|--------------------------------------|---------------------------|
| ■ Derivatives Risk                   | ■ Liquidity Risk          |
| ■ Foreign Exposure Risk              | ■ Mid-Size Company Risk   |
| ■ Foreign Securities Risk            | ■ Redemption Risk         |
| ■ Growth Stock Risk                  | ■ Reinvestment Risk       |
| ■ Initial Public Offering (IPO) Risk | ■ Securities Lending Risk |
| ■ Investment Company Securities Risk | ■ Small Company Risk      |
| ■ Large Company Risk                 | ■ Value Stock Risk        |

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.

**Ivy VIP Government Money Market:** The Portfolio seeks to achieve its objective to provide current income consistent with maintaining liquidity and preservation of capital by investing, under normal circumstances, at least 99.5% of its total assets in: (1) debt securities issued or guaranteed as to principal or interest by the U.S. or certain U.S. government agencies or instrumentalities (government securities), (2) repurchase agreements that are fully collateralized by cash and/or government securities, and/or (3) cash. The Portfolio also has adopted a policy to invest, under normal circumstances, at least 80% of its net assets in government securities and/or repurchase agreements that are fully collateralized by government securities. In contrast to the Portfolio's 99.5% policy, the Portfolio's 80% policy does not include cash or repurchase agreements collateralized by cash. There is no guarantee, however, that the Portfolio will achieve its objective.

The Portfolio's investments in government securities may include direct obligations of the Treasury (such as Treasury bills, notes or bonds), obligations issued or guaranteed as to principal and interest (but not as to market value) by the U.S. government, its agencies or instrumentalities, and mortgage-backed securities issued or guaranteed by government agencies or government-sponsored enterprises. The Portfolio considers repurchase agreements with the Federal Reserve Bank of New York to be government securities for purposes of the Portfolio's investment policies. The Portfolio also may invest in variable and floating rate instruments, and may transact in securities on a when-issued, delayed-delivery or forward commitment basis.

The Portfolio intends to continue to qualify as a "government money market fund," as such term is defined in or interpreted under Rule 2a-7. "Government money market funds" are exempt from requirements that permit money market funds to impose liquidity fees and/or temporary redemption gates. While the Board may elect in the future to subject the Portfolio to liquidity fees or redemption gates, the Board has not elected to do so at this time and has no current intention to do so.

The Portfolio seeks, as well, to maintain a NAV of \$1.00 per share. The Portfolio maintains a dollar-weighted average maturity of 60 calendar days or less, a dollar-weighted average life of 120 calendar days or less, and the Portfolio invests only in securities with a remaining maturity of not more than 397 calendar days.

IICO selects securities for the Portfolio in compliance with the maturity, quality, diversification and liquidity requirements of Rule 2a-7. IICO considers a number of factors in selecting securities for the Portfolio, including the credit quality of the particular issuer or guarantor of the security, along with the liquidity, maturity and yield.

Generally, in determining whether to sell a security, IICO uses the same type of analysis that it uses when buying securities to determine whether the security no longer offers adequate return or complies with Rule 2a-7. IICO also may sell a security to reduce the Portfolio's holding in that security, to take advantage of what it believes are more attractive investment opportunities or to raise cash.

Certain U.S. government securities in which the Portfolio may invest, such as Treasury securities and securities issued by Ginnie Mae, are backed by the full faith and credit of the U.S. government. However, other U.S. government securities in which the Portfolio may invest, such as securities issued by Fannie Mae, Freddie Mac and the FHLB, are not backed by the full faith and credit of the U.S. government, are not insured or guaranteed by the U.S. government and, instead, may be supported only by the right of the issuer to borrow from the Treasury or by the credit of the issuer.

When IICO believes that a full or partial temporary defensive position is desirable, due to present or anticipated market or economic conditions, IICO may shorten the average maturity of the Portfolio's investments and/or hold cash. However, by taking a temporary defensive position, the Portfolio may not achieve its investment objective.

**Principal Risks.** An investment in Ivy VIP Government Money Market is subject to various risks, including the following:

- |                                     |  |
|-------------------------------------|--|
| ■ Amortized Cost Risk               | ■ Mortgage-Backed and Asset-Backed Securities Risk |
| ■ Credit Risk                       | ■ Redemption Risk                                  |
| ■ Income Risk                       | ■ Reinvestment Risk                                |
| ■ Interest Rate Risk                | ■ Repurchase Agreements Risk                       |
| ■ Management Risk                   | ■ U.S. Government Securities Risk                  |
| ■ Money Market Fund Regulatory Risk |  |

**Non-Principal Risks.** In addition to the Principal Risks identified above, an investment in Ivy VIP Government Money Market may be subject to other, non-principal risks, including the following:

- When-Issued and Delayed-Delivery Transaction Risk

A description of these risks is set forth in *Defining Risks* below. Additional risk information, as well as additional information on securities and other instruments in which the Portfolio may invest, is provided in the SAI.



# Ivy VIP Pathfinder Portfolios

## Purpose of the Ivy VIP Pathfinder Portfolios

The Ivy VIP Pathfinder Portfolios (Pathfinder Portfolios) are intended to provide various levels of potential capital appreciation at various levels of risk. Each of the five Pathfinder Portfolios is designed to provide a different asset allocation option corresponding to different investment goals ranging from the highest potential for growth with the highest amount of tolerance for risk, to the lowest potential for growth with the lowest amount of tolerance for risk, and the highest potential for income. Each Pathfinder Portfolio is a “fund of funds,” which means that each Pathfinder Portfolio will seek to achieve its particular level of risk/return by investing substantially all of its assets in Underlying Funds and short-term investments in varying combinations and percentage amounts to achieve each Pathfinder Portfolio’s particular investment objective.

The Pathfinder Portfolios are primarily designed:

- To help achieve an investor’s financial objectives through a professionally developed asset allocation program.
- To maximize long-term total returns at a given level of risk through broad diversification among several traditional asset classes.

In selecting a Pathfinder Portfolio, investors should consider their personal objectives, investment time horizons, risk tolerances, and financial circumstances.

An asset class is a specific category of assets or investments. Examples of asset classes are stocks, bonds, foreign securities and cash. Within each asset class there may be several different types of assets. For example, a stock asset class may contain: common stock and/or preferred stocks; large-, mid- and/or small-capitalization stocks; U.S. or international stocks; and growth or value stocks. Each asset class, and each type of asset within that asset class, offers a different type of potential benefit and risk level. For example, stock assets may generally be expected to provide a higher potential growth rate, but may require a longer time horizon and more risk than you would expect from most bond assets. By combining the various asset classes described below, in different percentage combinations, each Pathfinder Portfolio seeks to provide a different level of potential risk and reward.

IICO, each Pathfinder Portfolio’s investment manager, establishes for each Pathfinder Portfolio a target allocation range among different classes based on each Pathfinder Portfolio’s risk profile and investment strategies. Within each target asset class allocation range, IICO selects the Underlying Funds, and the percentage of the Pathfinder Portfolio’s assets that will be allocated to each such Underlying Fund. IICO also is the investment manager of each of the Underlying Funds. IICO reviews the allocations among both asset classes and Underlying Funds on a periodic basis. IICO may make changes to the allocation range for any Pathfinder Portfolio from time to time as appropriate given the risk profile and investment strategies of each Pathfinder Portfolio and in order to achieve each Pathfinder Portfolio’s investment objective.

Listed in the table below are the asset classes and Underlying Funds in which the Pathfinder Portfolios currently may invest and the target allocation ranges for each Pathfinder Portfolio that have been established by IICO as of the date of this Prospectus. While this table is intended to depict the kinds of securities and the general proportions in which each Pathfinder Portfolio invests, over time the target asset class and Underlying Fund allocations may change as, in IICO’s judgment, economic and/or market conditions warrant in order for each Pathfinder Portfolio to continue to meet its objective. Even where the target allocation ranges themselves do not change, actual allocations may vary from an established target over the short term. Until a target allocation range is itself changed, day-to-day market activity may cause a Pathfinder Portfolio’s asset allocations to drift from the target. Under ordinary circumstances, IICO will rebalance the assets of each Pathfinder Portfolio each quarter to conform its actual allocations to the target allocations applicable at that time. The Pathfinder Portfolios do not necessarily invest in every asset class or all of the Underlying Funds.

Each Pathfinder Portfolio reserves the right to change its target allocation ranges at any time and without notice. For information about asset class and Underlying Fund allocations, please review the Pathfinder Portfolios’ annual and semiannual reports.



## TARGET ALLOCATIONS FOR EACH ASSET CLASS AND UNDERLYING FUND BY PORTFOLIO

|                                     | Ivy VIP<br>Pathfinder<br>Aggressive | Ivy VIP<br>Pathfinder<br>Moderately<br>Aggressive | Ivy VIP<br>Pathfinder<br>Moderate | Ivy VIP<br>Pathfinder<br>Moderately<br>Conservative | Ivy VIP<br>Pathfinder<br>Conservative |
|-------------------------------------|-------------------------------------|---|-----------------------------------|---|---------------------------------------|
| <b>U.S. STOCKS:</b>                 | <b>50-60%</b>                       | <b>45-55%</b>                                     | <b>40-50%</b>                     | <b>35-45%</b>                                       | <b>30-40%</b>                         |
| Ivy VIP Core Equity                 | 0-20%                               | 0-20%   | 0-20%                             | 0-15%   | 0-15%                                 |
| Ivy VIP Growth                      | 0-20%                               | 0-20%   | 0-20%                             | 0-15%   | 0-15%                                 |
| Ivy VIP Mid Cap Growth              | 0-10%                               | 0-10%   | 0-10%                             | 0-10%   | 0-10%                                 |
| Ivy VIP Small Cap Core              | 0-10%                               | 0-10%   | 0-10%                             | 0-10%   | 0-10%                                 |
| Ivy VIP Small Cap Growth            | 0-10%                               | 0-10%   | 0-10%                             | 0-10%   | 0-10%                                 |
| Ivy VIP Value                       | 0-20%                               | 0-20%   | 0-20%                             | 0-15%   | 0-15%                                 |
| <b>INTERNATIONAL/GLOBAL STOCKS:</b> | <b>25-35%</b>                       | <b>20-30%</b>                                     | <b>15-25%</b>                     | <b>10-20%</b>                                       | <b>5-15%</b>                          |
| Ivy VIP Global Equity Income        | 0-35%                               | 0-30%   | 0-25%                             | 0-20%   | 0-15%                                 |
| Ivy VIP Global Growth               | 0-35%                               | 0-30%   | 0-25%                             | 0-20%   | 0-15%                                 |
| Ivy VIP International Core Equity   | 0-35%                               | 0-30%   | 0-25%                             | 0-20%   | 0-15%                                 |
| <b>BONDS:</b>                       | <b>0-20%</b>                        | <b>0-25%</b>                                      | <b>0-30%</b>                      | <b>0-35%</b>  | <b>0-40%</b>                          |
| Ivy VIP Corporate Bond              | 0-20%                               | 0-25%   | 0-30%                             | 0-35%   | 0-40%                                 |
| Ivy VIP Global Bond                 | 0-15%                               | 0-15%   | 0-15%                             | 0-20%   | 0-20%                                 |
| Ivy VIP High Income                 | 0-10%                               | 0-10%   | 0-10%                             | 0-5%  | 0-5%                                  |
| <b>SHORT-TERM INVESTMENTS:</b>      | <b>0-25%</b>                        | <b>5-35%</b>                                      | <b>10-45%</b>                     | <b>15-55%</b>                                       | <b>20-65%</b>                         |
| Ivy VIP Government Money Market     | 0-25%                               | 0-35%   | 0-45%                             | 0-55%   | 0-65%                                 |
| Ivy VIP Limited-Term Bond           | 0-25%                               | 0-35%   | 0-45%                             | 0-55%   | 0-65%                                 |

Set forth below are the asset classes in which the Pathfinder Portfolios may invest and the Underlying Funds which IICO currently has chosen to comprise each of these asset classes. The Pathfinder Portfolios also may invest in other Underlying Funds within each asset class in an effort to meet their respective investment objectives.

| Asset Class                        | Underlying Investments  |
|------------------------------------|---|
| <b>U.S. Stocks</b>                 |   |
| Large Cap Stocks                   | <b>Ivy VIP Core Equity</b> seeks to provide capital growth and appreciation.  |
|                                    | <b>Ivy VIP Growth</b> seeks to provide growth of capital.   |
|                                    | <b>Ivy VIP Value</b> seeks to provide capital appreciation.   |
| Mid Cap Stocks                     | <b>Ivy VIP Mid Cap Growth</b> seeks to provide growth of capital.   |
| Small Cap Stocks                   | <b>Ivy VIP Small Cap Core</b> seeks to provide capital appreciation.  |
|                                    | <b>Ivy VIP Small Cap Growth</b> seeks to provide growth of capital.   |
| <b>International/Global Stocks</b> | <b>Ivy VIP Global Equity Income</b> seeks to provide total return through a combination of current income and capital appreciation.       |
|                                    | <b>Ivy VIP Global Growth</b> seeks to provide growth of capital.  |
|                                    | <b>Ivy VIP International Core Equity</b> seeks to provide capital growth and appreciation.  |
| <b>Bonds</b>                       | <b>Ivy VIP Corporate Bond</b> seeks to provide current income consistent with preservation of capital.                                    |
|                                    | <b>Ivy VIP Global Bond</b> seeks to provide a high level of current income. Capital appreciation is a secondary objective.                |
|                                    | <b>Ivy VIP High Income</b> seeks to provide total return through a combination of high current income and capital appreciation.           |
| <b>Short-Term Investments</b>      | <b>Ivy VIP Government Money Market</b> seeks to provide current income consistent with maintaining liquidity and preservation of capital. |
|                                    | <b>Ivy VIP Limited-Term Bond</b> seeks to provide current income consistent with preservation of capital.                                 |

# Ivy VIP Pathfinder Managed Volatility Portfolios

## Purpose of the Managed Volatility Portfolios

The Ivy VIP Pathfinder Managed Volatility Portfolios (Managed Volatility Portfolios) are intended to provide various levels of potential capital appreciation at various levels of risk. Each of the three Managed Volatility Portfolios is designed to provide a different asset allocation option corresponding to different investment goals. Each Managed Volatility Portfolio seeks to achieve its particular investment objective by investing approximately 90-95% (although such amounts may be higher than 95%, depending upon market conditions) of its assets in other Portfolios (Underlying Funds) and short-term investments in varying combinations and percentage amounts. With respect to the portion of its assets that is not invested in Underlying Funds and such short-term instruments, each Managed Volatility Portfolio will invest in exchange-traded futures contracts in an attempt to manage the volatility of the Portfolio's equity returns.

IICO is each Managed Volatility Portfolio's investment manager and manages the portion of each Managed Volatility Portfolio invested in Underlying Funds and certain short-term instruments. IICO has engaged Securian AM as investment subadviser to manage the portion of each Managed Volatility Portfolio that is dedicated to the volatility management strategy.

The Managed Volatility Portfolios are primarily designed:

- To help achieve an investor's financial objectives through a professionally developed asset allocation program.
- To maximize long-term total returns at a given level of risk through broad diversification among several traditional asset classes and through a volatility management strategy that is intended to manage the volatility of the Portfolio's equity returns.

In selecting a Managed Volatility Portfolio, investors should consider their personal objectives, investment time horizons, risk tolerances, and financial circumstances. An asset class is a specific category of assets or investments. Examples of asset classes are stocks, bonds, foreign securities and cash. Within each asset class there may be several different types of assets. For example, a stock asset class may contain: common stock and/or preferred stocks; large-, mid- and/or small-capitalization stocks; U.S. or international stocks; and growth or value stocks. Each asset class, and each type of asset within that asset class, offers a different type of potential benefit and risk level. For example, stock assets may generally be expected to provide a higher potential growth rate, but may require a longer time horizon and more risk than you would expect from most bond assets. By combining the various asset classes described below, in different percentage combinations, each Managed Volatility Portfolio seeks to provide a different level of potential risk and reward while seeking to manage the volatility of the Portfolio's equity returns.

## Investment Process for Investments in Underlying Funds

IICO, each Managed Volatility Portfolio's investment manager, establishes for each Managed Volatility Portfolio a target allocation range among different classes based on each Managed Volatility Portfolio's risk profile and investment strategies. Within each target asset class allocation range, IICO selects the Underlying Funds and the percentage of the Managed Volatility Portfolio's assets that will be allocated to each such Underlying Fund. IICO also is the investment manager of each of the Underlying Funds. IICO reviews the allocations among both asset classes and Underlying Funds on a periodic basis. IICO may make changes to the allocation range in the Underlying Funds for any Managed Volatility Portfolio from time to time as appropriate given the risk profile and investment strategies of each Managed Volatility Portfolio and in order to achieve each Managed Volatility Portfolio's investment objective.

Listed in the table below are the asset classes and Underlying Funds in which the Managed Volatility Portfolios currently may invest and the target allocation ranges in the Underlying Funds (for the portion of each Managed Volatility Portfolio invested in the Underlying Funds) that have been established by IICO as of the date of this Prospectus. While this table is intended to depict the kinds of securities and the general proportions in which each Managed Volatility Portfolio invests, over time the target asset class and Underlying Fund allocations may change as, in IICO's judgment, economic and/or market conditions warrant in order for each Managed Volatility Portfolio to continue to meet its objective. Even where the target allocation ranges in the Underlying Funds themselves do not change, actual allocations may vary from an established target over the short term. Until a target allocation range in the Underlying Funds is itself changed, day-to-day market activity may cause a Managed Volatility Portfolio's asset allocations to drift from the target. Under ordinary circumstances, IICO will rebalance the assets of each Managed Volatility Portfolio each quarter to conform its actual allocations in the Underlying Funds to the target allocations applicable at that time. The Managed Volatility Portfolios do not necessarily invest in every asset class or all of the Underlying Funds.

Each Managed Volatility Portfolio reserves the right to change its target allocation ranges in the Underlying Funds at any time and without notice. For information about asset class and Underlying Fund allocations in the Underlying Funds, please review the Managed Volatility Portfolios' annual and semiannual reports when available.

## TARGET ALLOCATIONS FOR EACH ASSET CLASS AND UNDERLYING FUND BY PORTFOLIO

|                                     | Ivy VIP<br>Pathfinder<br>Moderate —<br>Managed Volatility | Ivy VIP<br>Pathfinder<br>Moderately<br>Aggressive —<br>Managed Volatility | Ivy VIP<br>Pathfinder<br>Moderately<br>Conservative —<br>Managed Volatility |
|-------------------------------------|---|---|---|
| <b>U.S. STOCKS:</b>                 | <b>35-50%</b>   | <b>40-55%</b>   | <b>30-45%</b>   |
| Ivy VIP Core Equity                 | 0-20%   | 0-20%   | 0-15%   |
| Ivy VIP Growth                      | 0-20%   | 0-20%   | 0-15%   |
| Ivy VIP Mid Cap Growth              | 0-10%   | 0-10%   | 0-10%   |
| Ivy VIP Small Cap Core              | 0-10%   | 0-10%   | 0-10%   |
| Ivy VIP Small Cap Growth            | 0-10%   | 0-10%   | 0-10%   |
| Ivy VIP Value                       | 0-20%   | 0-20%   | 0-15%   |
| <b>INTERNATIONAL/GLOBAL STOCKS:</b> | <b>10-25%</b>   | <b>15-30%</b>   | <b>5-20%</b>  |
| Ivy VIP Global Equity Income        | 0-25%   | 0-30%   | 0-20%   |
| Ivy VIP Global Growth               | 0-25%   | 0-30%   | 0-20%   |
| Ivy VIP International Core Equity   | 0-25%   | 0-30%   | 0-20%   |
| <b>BONDS:</b>                       | <b>0-45%</b>  | <b>0-40%</b>  | <b>0-50%</b>  |
| Ivy VIP Corporate Bond              | 0-45%   | 0-40%   | 0-50%   |
| Ivy VIP Global Bond                 | 0-15%   | 0-15%   | 0-20%   |
| Ivy VIP High Income                 | 0-10%   | 0-10%   | 0-5%  |
| <b>SHORT-TERM INVESTMENTS:</b>      | <b>10-45%</b>   | <b>5-35%</b>  | <b>15-55%</b>   |
| Ivy VIP Government Money Market     | 0-45%   | 0-35%   | 0-55%   |
| Ivy VIP Limited-Term Bond           | 0-45%   | 0-35%   | 0-55%   |

Set forth below are the asset classes in which the Managed Volatility Portfolios may invest and the Underlying Funds which IICO currently has chosen to comprise each of these asset classes. The Managed Volatility Portfolios also may invest in other Underlying Funds within each asset class in an effort to meet their respective investment objectives.

| Asset Class                 | Underlying Investments  |
|-----------------------------|---|
| <b>U.S. Stocks</b>          |   |
| Large Cap Stocks            | <b>Ivy VIP Core Equity</b> seeks to provide capital growth and appreciation.  |
|                             | <b>Ivy VIP Growth</b> seeks to provide growth of capital.   |
|                             | <b>Ivy VIP Value</b> seeks to provide capital appreciation.   |
| Mid Cap Stocks              | <b>Ivy VIP Mid Cap Growth</b> seeks to provide growth of capital.   |
| Small Cap Stocks            | <b>Ivy VIP Small Cap Core</b> seeks to provide capital appreciation.  |
|                             | <b>Ivy VIP Small Cap Growth</b> seeks to provide growth of capital.   |
| International/Global Stocks | <b>Ivy VIP Global Equity Income</b> seeks to provide total return through a combination of current income and capital appreciation. |
|                             | <b>Ivy VIP Global Growth</b> seeks to provide growth of capital.  |
|                             | <b>Ivy VIP International Core Equity</b> seeks to provide capital growth and appreciation.  |
| <b>Bonds</b>                | <b>Ivy VIP Corporate Bond</b> seeks to provide current income consistent with preservation of capital.                              |
|                             | <b>Ivy VIP Global Bond</b> seeks to provide a high level of current income. Capital appreciation is a secondary objective.          |
|                             | <b>Ivy VIP High Income</b> seeks to provide total return through a combination of high current income and capital appreciation.     |

| Asset Class            | Underlying Investments  |
|------------------------|---|
| Short-Term Investments | <b>Ivy VIP Government Money Market</b> seeks to provide current income consistent with maintaining liquidity and preservation of capital. |
|                        | <b>Ivy VIP Limited-Term Bond</b> seeks to provide current income consistent with preservation of capital.                                 |

## Fund of Funds Risks

Each of the Pathfinder Portfolios and the Managed Volatility Portfolios (Investing Portfolios) is a “fund of funds,” which means that it invests a substantial portion of its assets in a number of other Portfolios rather than investing directly in stocks, bonds and other instruments. As a fund of funds, each Investing Portfolio is subject to the following risks.

Your investment in an Investing Portfolio is subject to all the risks of an investment directly in the Underlying Funds held by the Investing Portfolio. These risks are disclosed for each Underlying Fund earlier in this Prospectus in their respective sections and above in the section entitled *Additional Information about Principal Investment Strategies, Other Investments and Risks*.

An Investing Portfolio’s performance reflects the investment performance of the Underlying Funds it holds. An Investing Portfolio’s performance thus depends both on the allocation of its assets among the various Underlying Funds and the ability of those Underlying Funds to meet their respective investment objectives. IICO may not accurately assess the attractiveness or risk potential of particular Underlying Funds, asset classes, or investment styles.

Each Investing Portfolio invests in a limited number of Underlying Funds and may invest a significant portion of its assets in a single Underlying Fund. Therefore, the performance of a single Underlying Fund can have a significant effect on the performance of an Investing Portfolio and the price of its shares. As with any mutual fund, there is no assurance that any Underlying Fund will achieve its investment objective(s).

One Underlying Fund may purchase the same securities that another Underlying Fund sells. An Investing Portfolio that invests in both Underlying Funds would indirectly bear the costs of these trades.

While an investor may invest in the Underlying Funds (which also are available to Policyowners through their Policies), you should not expect to achieve the same results by investing directly in the Underlying Funds and short-term investments as you would receive by investing in the Investing Portfolios, because the Investing Portfolios offer professional asset allocation and an added measure of diversification. IICO monitors each Investing Portfolio’s holdings and cash flow and periodically adjusts each Investing Portfolio’s mix to keep the Portfolio closely aligned to its investment strategies in changing market conditions. Underlying Funds may be added or removed from an Investing Portfolio’s allocation mix by IICO without notice to investors.

Because you are investing indirectly through the Investing Portfolios, you will bear a proportionate share of the applicable expenses of the Underlying Funds (including applicable management, administration, service and accounting fees), as well as the expenses of the particular Investing Portfolio. No front-end sales load or contingent deferred sales charge is charged, either by the Underlying Funds or by the Investing Portfolios. Although Class II shares of the Underlying Funds (other than Ivy VIP Government Money Market) will charge a Rule 12b-1 fee, the Investing Portfolios do not charge a Rule 12b-1 fee, so there is no duplication of these fees.

The PICs issuing guaranteed benefits on variable life insurance policies and variable annuity contracts investing in the Managed Volatility Portfolios may be affiliated with Securian AM and have a financial interest in preserving the value of the Managed Volatility Portfolios and reducing their volatility due to their obligations for these guaranteed benefits (the cost of providing these guaranteed benefits is related to several factors including the performance and volatility of each Managed Volatility Portfolio). To the extent each Managed Volatility Portfolio is successful in managing the volatility of returns, the PICs affiliated with Securian AM issuing guaranteed benefits on variable life insurance policies and variable annuity contracts investing in the Managed Volatility Portfolios also will benefit from a reduction in their potential investment risk which will reduce their costs of hedging this risk and may reduce their reserve and capital requirements. These financial benefits to the PICs affiliated with Securian AM may be material and may influence Securian AM in its management of each Managed Volatility Portfolio.

## Additional Investment Considerations

The objective(s) and investment policies of each Portfolio may be changed by the Board without a vote of the Portfolio’s shareholders, unless a policy or restriction is otherwise described as a fundamental policy in the SAI.

Because the Portfolios own different types of investments, their performance will be affected by a variety of factors. The value of a Portfolio's investments and the income it generates will vary from day to day, generally reflecting changes in interest rates, market conditions, and other company and economic news. From time to time, based on market or economic conditions, a Portfolio may have significant positions in one or more sectors of the market and may be overweight or underweight sectors as compared to its benchmark index.

To the extent a Portfolio invests more heavily in particular sectors, its performance will be sensitive to developments that significantly affect those sectors. Alternatively, the lack of exposure to one or more sectors may adversely affect performance. Performance also will depend on IICO's skill or that of a Portfolio's investment subadviser, as applicable (hereinafter referred to collectively as the Investment Manager), in selecting investments. As with any mutual fund, you could lose money on your investment. There is no guarantee that a Portfolio will achieve its objective(s).

Each Portfolio also may invest in and use certain other types of securities and instruments in seeking to achieve its objective(s). For example, each Portfolio (other than Ivy VIP Government Money Market and the Pathfinder Portfolios) may invest in options, futures contracts and other derivative instruments if it is permitted to invest in the type of asset by which the return on, or value of, the derivative is measured. Certain types of each Portfolio's authorized investments and strategies, such as derivative instruments, foreign securities, junk bonds and commodities, including precious metals, involve special risks. Depending on how much a Portfolio invests or uses these strategies, these special risks may become significant and thus affect the performance of a Portfolio.

Certain types of mortgage-backed and asset-backed securities may experience significant valuation uncertainties, greater volatility, and significantly less liquidity due to the sharp rise of foreclosures on home loans secured by subprime mortgages in recent years. Subprime mortgages have a higher credit risk than prime mortgages, as the credit criteria for obtaining a subprime mortgage is more flexible than that used with prime borrowers. To the extent that a Portfolio invests in securities that are backed by pools of mortgage loans, the risk to that Portfolio may be significant. Other asset-backed securities also may experience significant valuation uncertainties, increased volatility, and significantly reduced liquidity.

Each Portfolio may actively trade securities in seeking to achieve its objective(s). Factors that can lead to active trading include market volatility, a significant positive or negative development concerning a security, an attempt to maintain a Portfolio's market capitalization target of the securities in each such Portfolio's holdings and the need to sell a security to meet redemption activity. Actively trading securities may increase transaction costs (which may reduce performance) and increase net realized gains that a Portfolio must distribute for federal tax purposes.

Each of the Portfolios generally seeks to be fully invested, except to the extent that it takes a temporary defensive position. In addition, at times, the Investment Manager may invest a portion of a Portfolio's assets in cash or cash equivalents if the Investment Manager is unable to identify and acquire a sufficient number of securities that meet its selection criteria for implementing the Portfolio's investment objective(s), strategies and policies, or for other reasons.

The Portfolios and their service providers may be prone to operational and information security risks resulting from, among other problems, human errors, systems and technology disruptions or failures, or breaches in cybersecurity. The occurrence of any of these problems could result in a loss of information, regulatory scrutiny, reputational damage and other consequences, any of which could have a material adverse effect on a Portfolio or its shareholders. A breach in cybersecurity may be either an intentional or unintentional event that allows an unauthorized party to gain access to fund assets, customer data or proprietary information, or cause a Portfolio or its service providers to suffer data corruption or lose operational functionality. A breach in cybersecurity may include, among other events, stealing or corrupting customer data or funds, denial of service attacks on websites that prohibit access to electronic systems by customers or employees, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity breaches affecting the Portfolios, IICO, a Portfolio's subadviser, or a Portfolio's custodian, transfer agent, intermediaries and other third-party service providers may adversely impact the Portfolios and their shareholders. For instance, breaches in cybersecurity may interfere with the processing of shareholder transactions, including the ability to buy and sell shares, impact the ability of a Portfolio to calculate its NAV, cause the release of private shareholder information or confidential business information, impede trading, subject the Portfolios or their service providers to regulatory fines or financial losses and/or cause reputational damage. The Portfolios also may incur additional costs for cybersecurity risk management purposes. Similar types of cybersecurity risks also are present for issues or securities in which the Portfolios may invest, which could result in material adverse consequences for such issuers, and may cause the Portfolios' investment in such companies to lose value. In addition, adverse consequences could result from cybersecurity incidents affecting counterparties with which a Portfolio engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies, and other financial institutions and other parties.

You will find more information in the SAI about each Portfolio's permitted investments, policies and strategies, as well as the restrictions that apply to them.



A description of the Portfolios' policies and procedures with respect to the disclosure of their securities holdings is available in the SAI.

Portfolio holdings of the Portfolios may be found at [www.ivyinvestments.com](http://www.ivyinvestments.com). Alternatively, a complete schedule of portfolio holdings for the Portfolios for the first and third quarters of each fiscal year is filed with the SEC as an exhibit to the Trust's (as defined herein) Form N-PORT. These holdings may be viewed on the SEC's website at <http://www.sec.gov>.

Information concerning Ivy VIP Government Money Market's portfolio holdings is posted at [www.ivyinvestments.com](http://www.ivyinvestments.com) five business days after the end of each month and remains posted on the website for at least six months thereafter. In addition, information concerning Ivy VIP Government Money Market's portfolio holdings is filed on a monthly basis with the SEC on Form N-MFP.

A complete schedule of portfolio holdings also is included in the Portfolios' Annual and Semiannual Reports to shareholders.

## Defining Risks

**Amortized Cost Risk** — In the event that the Board determines that the extent of the deviation between Ivy VIP Government Money Market's amortized cost per share and its market-based NAV per share could result in material dilution or other unfair results to shareholders, the Board will cause the Portfolio to take such action as it deems appropriate to eliminate, or reduce to the extent practicable, such dilution or unfair results, including but not limited to, suspending redemption of Portfolio shares or liquidating the Portfolio.

**Asset Allocation Risk** — A Portfolio's performance depends on the allocation of its assets (i) between the U.S. Stocks, International/Global Stocks, Bonds and Short-Term Investment asset classes and (ii) among the Underlying Funds. There is a risk that the allocation of assets may skew toward an Underlying Fund that performs poorly relative to other funds, or to the market as a whole, which could result in the Portfolio performing poorly.

**Capital Repatriation Risk** — Capital repatriation involves the transfer of corporate money or property from a foreign country back to its home country. The repatriation of capital with regard to investments made in certain securities or countries may be restricted during certain times from the date of such investments or even indefinitely. If the Investment Manager is unable to repatriate capital from its investments, in whole or in part, this may have an adverse effect on the cash flows and/or performance of the Portfolio.

**Catalyst Risk** — Investing in companies in anticipation of a catalyst carries the risk that certain of such catalysts may not happen or the market may react differently than expected to such catalysts, in which case a Portfolio may experience losses.

**China Investment Risk** — Certain Portfolios may invest in "A-Shares" of certain Chinese companies through various "connect programs" with local stock exchanges in China, such as the Shanghai-Hong Kong Stock Connect Program with the Shanghai Stock Exchange that was launched in 2014 or the Shenzhen-Hong Kong Stock Exchange Connect Program with the Shenzhen Stock Exchange that was launched in 2016, or other similar programs (collectively these are referred to as Connect Programs). Connect Programs serve to link local Chinese stock markets (such as those in Shanghai or Shenzhen) with the Hong Kong stock exchange. Under the Connect Programs, investors in Hong Kong and China can trade and settle shares listed on the other market via the exchange and clearing house in their home market. This means that international investors, who previously were prohibited from investing directly in A-shares on local Chinese exchanges, can access this market.

Connect Programs are subject to quota limitations, and an investor cannot purchase and sell the same security on the same trading day, which may restrict a Portfolio's ability to invest in China A-shares through the Connect Programs and to enter into or exit trades on a timely basis. Connect Programs can operate only when both markets are open for trading and when banking services are available in both markets on the corresponding settlement days. As such, if one or both markets are closed on a U.S. trading day, a Portfolio may not be able to dispose of its China A-shares in a timely manner, which could adversely affect the Portfolio's performance. Only certain China A-shares are eligible to be accessed through the Connect Programs. Such securities may lose their eligibility at any time, in which case they could be sold, but could no longer be purchased through the Connect Programs. Because the Connect Programs are relatively new, the actual effect on the market for trading China A-shares with the introduction of large numbers of foreign investors is unknown. In addition, there is no assurance that the necessary systems required to operate the Connect Programs will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems do not function properly, trading through the Connect Programs could be disrupted.

Connect Programs are subject to regulations promulgated by regulatory authorities for participating exchanges and further regulations or restrictions, such as limitations on redemptions or suspension of trading, may adversely impact a Connect Program, if the authorities believe it necessary to assure orderly markets or for other reasons. The relevant regulations are relatively new and untested; they are subject to change and there is no certainty as to how they will be applied. Investments in China A-shares may not be covered by the securities investor protection programs of a

participating exchange and, without the protection of such programs, will be subject to the risk of default by the broker. In the event that the depository, the China Securities Depository and Clearing Corporation Limited (ChinaClear), defaulted, a Portfolio may not be able to recover fully its losses from ChinaClear or may be delayed in receiving proceeds as part of any recovery process. Because of the way in which China A-shares are held in a Connect Program, a Portfolio may not be able to exercise the rights of a shareholder and may be limited in its ability to pursue claims against the issuer of a security. A Portfolio may not be able to participate in corporate actions affecting China A-shares held through the Connect Programs due to time constraints or for other operational reasons. Similarly, a Portfolio may not be able to appoint proxies or participate in shareholders' meetings due to current limitations on the use of multiple proxies in China.

Because all trades of eligible China A-shares must be settled in Renminbi (RMB), the Chinese currency, investors must have timely access to a reliable supply of offshore RMB, which cannot be guaranteed. The value of the RMB may be subject to a high degree of fluctuation due to changes in interest rates, the imposition of currency controls, or the effects of monetary policies of China, other foreign governments, the U.S., central banks or supranational entities. Furthermore, because dividends declared by a Portfolio will be declared in U.S. dollars and underlying payments received by a Portfolio from the China A-shares will be made in RMB, fluctuations in exchange rates may adversely affect the dividends that the Portfolio would pay.

**Commodities Risk** — Investments in certain issuers, such as resource extraction and production companies, are sensitive to fluctuations in certain commodity markets, and changes in those markets may cause a Portfolio's holdings to lose value. Commodity trading, including trading in precious metals, generally is considered speculative because of the significant potential for investment loss. Among the factors that could affect the value of a Portfolio's investments in commodities are resource availability, commodity price volatility, speculation in the commodities markets, cyclical economic conditions, weather, embargoes, tariffs, regulatory developments, sudden political events and adverse international monetary policies. Markets for commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. The prices of commodities also can fluctuate widely due to supply and demand disruptions in major producing or consuming regions. Certain commodities may be produced in a limited number of countries and may be controlled by a small number of producers. As a result, political, economic and supply-related events in such countries could have a disproportionate impact on the prices of such commodities. Also, a Portfolio may pay more to store and accurately value its commodity holdings than it does with its other portfolio investments. Moreover, under the federal tax law, a Portfolio may not derive more than 10% of its annual gross income from gains (without regard to losses) resulting from selling or otherwise disposing of commodities (and other "non-qualifying" income). Accordingly, a Portfolio may be required to hold its commodities and/or interests in ETFs that hold commodities or sell them at a loss, or to sell portfolio securities at a gain, when, for investment reasons, it would not otherwise do so.

**Company Risk** — A company may be more volatile or perform worse than the overall market. This may be a result of specific factors such as adverse changes to its business due to the failure of specific products or management strategies, or it may be due to adverse changes in investor perceptions about the company.

**Concentration Risk** — If a Portfolio invests more than 25% of its total assets in a particular industry, the Portfolio's performance may be more susceptible to a single economic, regulatory or technological occurrence than a fund that does not concentrate its investments in a single industry. Securities of companies within specific industries or sectors of the economy may periodically perform differently than the overall market. This may be due to changes in such things as the regulatory or competitive environment or to changes in investor perceptions regarding a sector or company.

**Convertible Security Risk** — A convertible security is a bond, debenture, note, preferred stock or other security that may be converted or exchanged for a prescribed amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. The value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value. Since it derives a portion of its value from the common stock into which it may be converted, a convertible security also is subject to the same types of market and issuer risks that apply to the underlying common stock. Convertible securities issued by smaller capitalized companies may be more volatile.

**Credit Risk** — An issuer of a fixed-income obligation (including a mortgage-backed security) or a REIT may not make payments on the obligation when due, or the other party to a contract may default on its obligation. There also is the risk that an issuer could suffer adverse changes in its financial condition that could lower the credit quality of a security. This could lead to greater volatility in the price of the security, could affect the security's liquidity, and could make it more difficult to sell. A downgrade or default affecting any of a Portfolio's securities could affect the Portfolio's performance. In general, the longer the maturity and the lower the credit quality of a bond, the more sensitive it is to credit risk. If a Portfolio purchases unrated securities and obligations, it will depend on the Investment Manager's analysis of credit risk more heavily than usual.

In the wake of the financial crisis, some credit rating agencies have begun applying more stringent criteria, with the result that some securities are being downgraded. In addition, rating agencies may fail to make timely changes to credit ratings in response to subsequent events and a rating may become stale in that it fails to reflect changes in an issuer's financial condition. Ratings represent the ratings agency's opinion regarding the quality of the security and are not a guarantee of quality.

**Depository Receipts Risk** — Investments in depository receipts (including American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts) generally are subject to the same risks of investing in the foreign securities that they evidence or into which they may be converted. In addition, issuers underlying unsponsored depository receipts may not provide as much information as U.S. issuers and issuers underlying sponsored depository receipts. Unsponsored depository receipts also may not carry the same voting privileges as sponsored depository receipts. Investments in depository receipts may be less liquid and more volatile than the underlying securities in their primary trading market. If a depository receipt is denominated in a different currency than its underlying securities, a Portfolio will be subject to the currency risk of both the investment in the depository receipt and the underlying security.

**Derivatives Risk** — A derivative is a financial instrument whose value or return is “derived,” in some manner, from the price of an underlying security, index, asset, rate or event. Derivatives are traded either on an organized exchange or **over-the-counter (OTC)** (privately negotiated between two parties). Forward foreign currency contracts, futures contracts, options and swaps are common types of derivatives that a Portfolio (other than Ivy VIP Government Money Market and the Pathfinder Portfolios) occasionally may use. Forward foreign currency contracts (“forward contracts”) are purchases or sales of a foreign currency at a negotiated rate to be settled at a future date. A futures contract is a standardized contract listed on an exchange to buy or sell a specific quantity of an underlying reference instrument, such as a security or other instrument, index, currency or commodity at a specific price on a specific date. An option can be entered either exchange-traded or OTC and is a contract that gives the purchaser the right to buy or sell an underlying reference instrument, such as a security or other instrument, index, or commodity at a specific price on or before a specific date. A swap is an OTC agreement involving the exchange by a Portfolio (other than Ivy VIP Government Money Market and the Pathfinder Portfolios) with another party of their respective commitments to pay or receive payments at specified dates on the basis of a specified notional amount. The statutory definition under the Commodity Exchange Act (CEA), as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) of the term “Swap” includes options on commodities (excluding equities listed on exchanges), caps, floors, collars and certain forward contracts. The statutory definition of a swap also includes an instrument that is dependent on the occurrence, nonoccurrence or the extent of the occurrence of an event or contingency associated with a potential financial, economic or commercial consequence, such as a credit default swap. A swap agreement may be privately negotiated bilaterally and traded OTC between the two parties or, in some instances, must be transacted through a futures commission merchant (FCM) and cleared through a clearinghouse that serves as a central counterparty (for an OTC swap required to be cleared). Certain standardized swaps are, and more OTC derivatives in the future may be, subject to mandatory OTC central clearing.

The use of derivatives presents several risks, including the risk that these instruments may change in value in a manner that adversely affects a Portfolio's NAV and the risk that fluctuations in the value of the derivatives may not correlate with the reference instrument underlying the derivative. Derivatives can be highly complex, can create investment leverage, may perform in unanticipated ways and may be highly volatile, and a Portfolio could lose more than the amount it invests. Derivatives may be difficult to value and, depending on the instrument, may at times be highly illiquid, and a Portfolio may not be able to close out or sell a derivative position at a particular time or at an anticipated price. Moreover, some derivatives are more sensitive to interest rate changes and market price fluctuations than other instruments. To the extent the judgment of the Investment Manager as to certain anticipated price movements is incorrect, the risk of loss may be greater than if the derivative technique(s) had not been used. When used for hedging, the change in value of the derivative also may not correlate perfectly with the security or other risk being hedged. Appropriate derivatives may not be available in all circumstances, and there can be no assurance that a Portfolio will be able to use derivatives to reduce exposure to other risks when that might be beneficial. Derivatives also may be subject to counterparty credit risk, which includes the risk that a Portfolio may sustain a loss as a result of the insolvency or bankruptcy of, or other non-compliance with the terms in the agreement for the derivatives documentation by, another party to the transaction. Certain derivatives can create leverage, which may amplify or otherwise increase a Portfolio's investment loss, possibly in an amount that could exceed the cost of that instrument or, under certain circumstances, that could be unlimited. Derivatives may involve fees, commissions, or other costs that may reduce a Portfolio's gains (if any) from utilizing derivatives. Derivatives that have margin requirements involve the risk that if a Portfolio has insufficient cash or eligible margin securities to meet daily variation margin requirements, it may have to sell securities from its portfolio at a time when it may be disadvantageous to do so. A Portfolio also may remain obligated to meet margin requirements until a derivative position is closed.

When a Portfolio uses derivatives, it will likely be required to provide margin or collateral and/or to segregate cash or other liquid assets in a manner that satisfies contractual undertakings and regulatory requirements. The need to provide margin or collateral and/or segregate assets could limit the Portfolio's ability to pursue other opportunities as they arise.

The amount of assets required to be segregated will depend on the type of derivative the Portfolio uses. If a Portfolio is required to segregate assets equal to only the current market value of its obligation under a derivative, the Portfolio may be able to use derivatives to a greater extent than if it were required to segregate assets equal to the full notional value of such derivative, which may create leverage.

Although a Portfolio may attempt to hedge against certain risks, the hedging instruments may not perform as expected and could produce losses. Hedging instruments also may reduce or eliminate gains that may otherwise have been available had the Portfolio not used the hedging instruments. A Portfolio may decide not to hedge certain risks in particular situations, even if appropriate instruments are available.

Swap instruments may shift a Portfolio's investment exposure from one type of investment to another. Swap agreements also may have a leverage component, and adverse changes in the value or level of the reference instrument, such as an underlying asset, reference rate or index, can result in gains or losses that are substantially greater than the amount invested in the swap itself. Certain swaps have the potential for unlimited loss, regardless of the size of the initial investment. The use of swap agreements entails certain risks that may be different from, or possibly greater than, the risks associated with investing directly in the reference instrument that underlies the swap agreement. Swaps are highly specialized instruments that require investment techniques and risk analyses different from those associated with stocks, bonds, and other traditional investments. Each Portfolio (other than Ivy VIP Government Money Market and the Pathfinder Portfolios) may enter into credit default swap contracts for hedging or investment purposes. A Portfolio may either sell or buy credit protection under these contracts.

Certain derivatives transactions are not entered into or traded on organized exchanges or cleared by clearing organizations. Instead, such derivatives may be entered into directly with the counterparty and may be traded only through financial institutions acting as market makers.

There may be risk that no liquid secondary market in the trading of OTC derivatives will exist, in which case a Portfolio may be required to hold such instruments until exercise, expiration or maturity. Certain of the protections afforded to exchange-traded participants will not be available to participants in OTC derivatives transactions. OTC derivatives transactions are not subject to the guarantee of an exchange or clearinghouse and, as a result, a Portfolio would bear greater risk of default by the counterparties to such transactions. For some counterparties, a Portfolio has put in place a guarantee of the counterparty's payment obligations under OTC derivative transactions issued by its parent holding company, which provides some protection to a Portfolio from a payment or delivery default by such counterparties. When traded on foreign exchanges, derivatives may not be regulated as rigorously as they would be if traded on or subject to the rules of an exchange located in the U.S., may not involve a clearing mechanism and related guarantees, and will be subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities, currencies and other instruments.

The counterparty risk for exchange-traded derivatives is significantly less than for privately negotiated or OTC derivatives, since generally an exchange or clearinghouse, which is the issuer or counterparty to each exchange-traded instrument, provides a guarantee of performance. For privately negotiated instruments, there is not a similar exchange or clearinghouse guaranteeing the performance on both sides of the transaction. In all such transactions, the Portfolio bears the risk that the counterparty could default, and this could result in a loss of the expected benefit of the derivative transactions and possibly other losses to the Portfolio. A Portfolio will enter into transactions in derivative instruments only with counterparties that the Investment Manager reasonably believes are capable of performing under the contract. The Investment Manager manages counterparty risk in an OTC derivative transaction by entering into bilateral collateral documentation, such as a Credit Support Annex and an accompanying Account Control Agreement, where it is market practice and/or required by law to do so for OTC derivatives.

The enactment in June 2010 of the Dodd-Frank Act resulted in historic and comprehensive change in how OTC derivatives are regulated, including the manner in which OTC derivatives are customized, derivatives documentation is negotiated, and trades are reported, executed and cleared. The Dodd-Frank Act and implementing rules ultimately may require the clearing and exchange-trading of many swaps.

Specifically, the Commodity Futures Trading Commission (CFTC) has adopted rules to require certain standardized swaps, previously settled OTC, be settled by means of a central clearinghouse. Central clearing is intended to reduce the risk of default by the counterparty. There also may be risks introduced of a possible default by the derivatives clearing organization or by a clearing member or FCM through which a swap is submitted for clearing.

Ongoing changes to regulation of the derivatives markets and potential changes in the regulation of portfolios using derivatives instruments could limit a Portfolio's ability to pursue its investment strategies. The extent and impact of the new regulations or proposed regulations are not yet fully known and may not be for some time. Any such changes may, among various possible effects, increase the cost of entering into derivative transactions, require more assets of a



Portfolio to be used for collateral in support of those derivatives than is currently the case, or restrict the ability of a Portfolio to enter into certain types of derivative transactions, or could limit a Portfolio's ability to pursue its investment strategies. In addition, changes in government regulation of derivatives could affect the character, timing and amount of the Portfolio's taxable income or gains.

In addition, pursuant to the Dodd-Frank Act, the CFTC in 2012 made substantial amendments to the permissible exemptions, and to the conditions for reliance on the permissible exclusions, from registration as a commodity pool operator (CPO) under the CEA. Under these amendments, if a Portfolio uses commodity interests (such as futures contracts, options on futures contracts and most swaps) other than for *bona fide* hedging purposes (as defined by the CFTC), the aggregate initial margin and premiums required to establish these positions (after taking into account unrealized profits and unrealized losses on any such positions and excluding the amount by which options are "in-the-money" at the time of purchase) may not exceed 5% of the Portfolio's liquidation value, or alternatively, the aggregate net notional value of those positions, determined at the time the most recent position was established, may not exceed 100% of the Portfolio's liquidation value (after taking into account unrealized profits and unrealized losses on any such positions) unless the Investment Manager has registered as a CPO. The Investment Manager, in its management of each Portfolio, currently is complying, and intends to continue to comply, with at least one of the two alternative limitations described above. Accordingly, IICO has claimed an exclusion from the definition of the term "commodity pool operator" with respect to each Portfolio under the CFTC and National Futures Association (NFA) rules.

Complying with those *de minimis* trading limitations may restrict the Investment Manager's ability to use derivatives as part of a Portfolio's investment strategies. Although the Investment Manager believes that it will be able to execute a Portfolio's investment strategies within the *de minimis* trading limitations, the Portfolio's performance could be adversely affected. In addition, the CFTC recently has proposed changes to the *de minimis* trading rules and limitations that could potentially change a Portfolio's ability to trade derivatives. Also, a Portfolio's ability to use certain derivative instruments may be limited by tax considerations.

**Dividend-Paying Stock Risk** — Dividend-paying stocks may fall out of favor with investors and underperform non-dividend paying stocks and the market as a whole over any period of time. In addition, there is no guarantee that the companies in which the Portfolio invests will declare dividends in the future or that dividends, if declared, will remain at current levels or increase over time. The amount of any dividend a company may pay may fluctuate significantly. In addition, the value of dividend-paying common stocks can decline when interest rates rise as other investments become more attractive to investors. This risk may be greater due to the current period of historically low interest rates.

**Emerging Market Risk** — Investments in countries with emerging economies or securities markets may carry greater risk than investments in more developed countries. Political and economic structures in many such countries may be undergoing significant evolution and rapid development, and such countries may lack the social, political and economic stability characteristics of more developed countries. Certain of those countries may have failed in the past to recognize private property rights and have nationalized or expropriated the assets of private companies. As a result, the risks described above, including the risks of nationalization or expropriation of assets, may be heightened. In addition, unanticipated political or social developments may affect the value of a Portfolio's investments in those countries and the availability of additional investments in those countries. The small size and inexperience of the securities markets in such countries and the limited volume of trading in securities in those countries may make a Portfolio's investments in such countries more volatile and less liquid than investments in more developed countries, and the Portfolio may be required to establish special custodial or other arrangements before making certain investments in those countries. The economies of emerging market countries may suffer from extreme and volatile debt burdens or inflation rates. The repatriation of capital with regard to investments made in certain securities or countries may be restricted during certain times or even indefinitely. There may be little financial or accounting information available with respect to issuers located in certain countries, and it may be difficult as a result to assess the value or prospects of an investment in such issuers. In times of market stress, regulatory authorities of different emerging market countries may apply varying techniques and degrees of intervention, which can have an effect on prices and may require that a Portfolio fair value its holdings in those countries.

**Energy Sector Risk** — Investment risks associated with investing in energy securities, in addition to other risks, include price fluctuation caused by real and perceived inflationary trends and political developments, the cost assumed in complying with environmental safety regulations, demand of energy fuels, energy conservation, the success of exploration projects, and tax and other government regulations.

**Extension Risk** — A rise in interest rates could cause borrowers to pay back the principal on certain debt securities, such as mortgage-backed or asset-backed securities, more slowly than expected, thus lengthening the average life of such securities. This could cause the value of such securities to be more volatile or to decline more than other fixed-income securities and may magnify the effect of the rate increase on the price of such securities. Duration measures the expected price sensitivity of a fixed-income security or portfolio for a given change in interest rates. For example, if interest rates rise by one percent, the value of a security or portfolio having a duration of two years generally will fall by approximately two percent.



**Financials Sector Risk** — Investment risks associated with investing in securities in the financials sector, in addition to other risks, include extensive governmental regulation and/or nationalization that affects the scope of their activities, the prices they can charge and the amount of capital they must maintain; adverse effects from increases in interest rates; effects on profitability by loan losses, which usually increase in economic downturns; the severe competition to which banks, insurance, and financial services companies may be subject; and increased interindustry consolidation and competition in the financials sector. The impact of more stringent capital requirements, recent or future regulation on any individual financial company or recent or future regulation on the financials economic sector as a whole cannot be predicted.

**Fixed-Income Market Risk** — The prices of a Portfolio's fixed-income securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers. Generally, a Portfolio's fixed-income securities will decrease in value if interest rates rise and vice versa. In a low interest rate environment, risks associated with rising rates are heightened. Rising interest rates tend to decrease liquidity, increase trading costs and increase volatility, all of which may make portfolio management more difficult and costly to a Portfolio and its shareholders. In the case of foreign securities, price fluctuations will reflect international economic and political events, as well as changes in currency valuations relative to the U.S. dollar. Other factors may materially and adversely affect the market price and yield of such fixed-income securities, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

**Foreign Currency Exchange Transactions and Forward Foreign Currency Contracts Risk** — Certain Portfolios may use foreign currency exchange transactions and forward foreign currency contracts to hedge certain market risks (such as interest rates, currency exchange rates and broad or specific market movement). These investment techniques involve a number of risks, including the possibility of default by the counterparty to the transaction and, to the extent the Investment Manager's judgment as to certain market movements is incorrect, the risk of losses that are greater than if the investment technique had not been used. For example, there may be an imperfect correlation between a Portfolio's holdings of securities denominated in a particular currency and the forward contracts entered into by the Portfolio. An imperfect correlation of this type may prevent a Portfolio from achieving the intended hedge or expose the Portfolio to the risk of currency exchange loss. These investment techniques also tend to limit any potential gain that might result from an increase in the value of the hedged position.

**Foreign Currency Risk** — Foreign securities may be denominated in foreign currencies. The value of a Portfolio's investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates and exchange control regulations. Domestic issuers that hold substantial foreign assets may be similarly affected. The value of an investment denominated in a foreign currency could change significantly as foreign currencies strengthen or weaken relative to the U.S. dollar. Currency exchange rates can be affected unpredictably by intervention, or failure to intervene, by U.S. or foreign governments or central banks or by currency controls or political developments in the U.S. or abroad. Devaluations of a currency by a government or banking authority also may have significant impact on the value of any investments denominated in that currency. Risks related to foreign currencies also include those related to economic or political developments, market inefficiencies or a higher risk that essential investment information may be incomplete, unavailable or inaccurate. A U.S. dollar investment in an investment denominated in a foreign currency is subject to currency risk. Foreign currency losses could offset or exceed any potential gains, or add to losses, in the related investments. Currency markets also are generally not as regulated as securities markets. In addition, in order to transact in foreign investments, a Portfolio may exchange and hold foreign currencies. Regulatory fees or higher custody fees may be imposed on foreign currency holdings. A Portfolio may use derivatives to manage its foreign currency risk. Derivatives on non-U.S. currencies involve a risk of loss if currency exchange rates move against the Portfolio, unless the derivative is a currency forward to hedge against the non-U.S. currency movement.

**Foreign Exposure Risk** — The securities of many companies may have significant exposure to foreign markets as a result of the company's operations, products or services in those foreign markets. As a result, a company's domicile and/or the markets in which the company's securities trade may not be fully reflective of its sources of revenue. Such securities would be subject to some of the same risks as an investment in foreign securities, including the risk that political and economic events unique to a country or region will adversely affect those markets in which the company's products or services are sold.

**Foreign Government Obligations and Securities of Supranational Entities Risk** — Investing in foreign government obligations and the sovereign debt of emerging market countries creates exposure to the direct or indirect consequences of political, social or economic changes in the countries that issue the securities or in which the issuers are located. Such investments are subject to the risk that a government entity may delay payment, restructure its debt, or refuse to pay interest or repay principal. Factors which may influence the ability or willingness of a foreign government or country to service debt include a country's cash flow situation, the availability of sufficient foreign exchange on the date a payment is due, the relative size of its debt service burden to the economy as a whole and its government's policy

towards the International Monetary Fund, the International Bank for Reconstruction and Development and other international agencies, the obligor's balance of payments, including export performance, its access to international credits and investments, fluctuations in interest rates and the extent of its foreign reserves. There may be no legal or bankruptcy process for collecting sovereign debt.

**Foreign Securities Risk** — Investing in foreign securities involves a number of economic, financial, legal, and political considerations that are not associated with the U.S. markets and that could affect a Portfolio's performance unfavorably, depending upon prevailing conditions at any given time. For example, the securities markets of many foreign countries may be smaller, less liquid and subject to greater price volatility than those in the U.S. Foreign investing also may involve brokerage costs and tax considerations that usually are not present in the U.S. markets.

Other factors that can affect the value of a Portfolio's foreign investments include the comparatively weak supervision and regulation by some foreign governments of securities exchanges, brokers and issuers; the fact that many foreign companies may not be subject to uniform and/or stringent accounting, auditing and financial reporting standards; fluctuations in foreign currency exchange rates and related conversion costs or currency redenomination; nationalization or expropriation of assets; and custodial or other operational delays. It also may be difficult to obtain reliable information about the securities and business operations of certain foreign issuers. Settlement of portfolio transactions also may be delayed due to local restrictions or communication problems, which can cause a Portfolio to miss attractive investment opportunities or impair its ability to dispose of securities in a timely fashion (resulting in a loss if the value of the securities subsequently declines). World markets, or those in a particular region, all may react in similar fashion to important economic or political developments. In addition, foreign markets may perform differently than the U.S. market. Over a given period of time, foreign securities may underperform U.S. securities — sometimes for years.

Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. The likelihood of such suspensions may be higher for securities of issuers in emerging markets than in more developed markets. Trading suspensions may be applied from time to time to the securities of individual issuers for reasons specific to that issuer, or may be applied broadly by exchanges or governmental authorities in response to market events. Suspensions may last for significant periods of time, during which trading in the securities and in instruments that reference the securities, such as derivative instruments, may be halted. In the event that a Portfolio holds material positions in such suspended securities, the Portfolio's ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

To the extent that a Portfolio invests in sovereign debt instruments, the Portfolio is subject to the risk that a government or agency issuing the debt may be unable to pay interest and/or repay principal due to cash flow problems, insufficient foreign currency reserves or political concerns. In such instance, the Portfolio may have limited recourse against the issuing government or agency. Financial markets have experienced, and may continue to experience, increased volatility due to the uncertainty surrounding the sovereign debt of certain countries.

Moreover, in pursuing its investment objective, a Portfolio, at times, may concentrate its investment in securities of companies located in a specific geographical region. To the extent a Portfolio does so, it may face more risks than portfolios with investments that are diversified around the globe. The economies and financial markets of certain regions can be interdependent and all may decline at the same time, and certain regions may face risks unique to that area. In particular:

*Asia Pacific Investments* — The level of development of the economies of countries in the Asia Pacific region varies greatly. Certain economies in the region may be adversely affected by increased competition, high inflation rates, undeveloped financial services sectors, currency fluctuations or restrictions, political and social instability and increased economic volatility. Natural disasters frequently occur in the region, which could drastically impact particular business operations of companies in the region or its overall economy. In addition, certain countries in the Asia Pacific region are large debtors to commercial banks and to foreign governments. The recent economic crisis has reduced the willingness of certain lenders to extend credit to these Asia Pacific countries and have made it more difficult for such borrowers to obtain financing on attractive terms or at all. Due to heavy reliance on international trade, a decrease in demand would adversely affect economic performance in the region. In addition, ongoing political issues and heightened trade tensions between the U.S. and China, including the possibility of a reduction in spending on Chinese products or services, the institution of additional tariffs or other trade barriers may have an adverse impact on the Chinese economy and potentially other economies in the region.

*Central and South American Investments* — High interest rates, inflation, government defaults and unemployment rates characterize the economies in some Central and South American countries. Currency devaluations in any such country may have a significant effect on the entire region. Because commodities such as oil and gas, minerals and metals represent a significant percentage of the region's exports, the economies of these countries are particularly sensitive to fluctuations in commodity prices. As a result, the economies in many Central and South American countries can experience significant volatility.

*European Investments* — The Economic and Monetary Union of the European Union (EU) requires compliance with restrictions on inflation rates, deficits, interest rates, debt levels and fiscal and monetary controls, each of which may significantly affect EU member countries, as well as other European countries. Decreasing imports or exports, changes in governmental regulations on trade, changes in the exchange rate of the euro and recessions in EU economies may have a significant adverse effect on the economies of EU members and their trading partners, including non-member European countries.

The European financial markets recently have experienced volatility and adverse trends due to concerns about economic downturns or rising government debt levels in several European countries, including Greece, Ireland, Italy, Portugal and Spain. These events have adversely affected the exchange rate of the euro and may continue to significantly affect every country in Europe, including countries that do not use the euro. Additionally, newer member states, particularly in eastern Europe, remain burdened to various extents by certain infrastructural, bureaucratic and business inefficiencies, and their markets remain relatively undeveloped and may be particularly sensitive to political and economic developments.

The EU continues to face major issues involving its membership, structure, procedures and policies, including the successful political, economic and social integration of new member states. The current and future status of the EU continues to be the subject of political controversy, and the growth of nationalist and populist parties in national legislatures may further threaten enlargement. The risk of investing in Europe may be heightened due to the decision by the United Kingdom (UK) to withdraw from the EU (commonly referred to as “Brexit”). The UK formally left the EU on January 31, 2020, and a “transition period,” which was intended to allow for negotiation and implementation of new trade and other cooperative agreements, expired on December 31, 2020. The long-term impact of Brexit on the relationship between the UK and the EU remains uncertain. The uncertainty concerning the relationship between the UK and the EU (as well as political divisions within the UK that have been highlighted by the 2016 Brexit referendum) could cause a period of instability and market volatility, which may adversely impact both the UK economy and the economies of other countries in Europe, as well as greater volatility in the global financial and currency markets. Brexit also may trigger additional member states to consider departing the EU, which would likely perpetuate such political and economic instability in the region. It is not possible to ascertain the precise impact these events may have on a Portfolio or its investments from an economic, financial, tax or regulatory perspective, but any such impact could be material.

*North American Investments* — A decrease in imports or exports, changes in trade regulations or an economic recession in any North American country can have a significant economic effect on the entire region. Since the implementation of the North American Free Trade Agreement (NAFTA) in 1994 among Canada, the U.S. and Mexico, total merchandise trade among the three countries has increased. However, political developments in the U.S. may have implications for trade among the U.S., Mexico and Canada, any of which may result in additional volatility in the region. In particular, the U.S. recently imposed tariffs on certain goods between it and Canada and has threatened the potential for additional tariffs. Additionally, the three countries signed a new trade agreement in 2018, the United States-Mexico-Canada Agreement (USMCA), that was signed into law in January 2020. The USMCA amends aspects of NAFTA, and such changes may have a significant negative impact on a country’s economy and, consequently, the value of securities held by a Portfolio. Moreover, the likelihood of further policy or legislative changes in one or more countries, may have a significant effect on North American markets generally, as well as on the value of certain securities held by a Portfolio when investing in this region.

**Fund of Funds Risk** — Each Investing Portfolio is a “fund of funds,” which means that it invests substantially all of its assets in a number of other mutual funds within the Ivy Variable Insurance Portfolios, rather than investing directly in stocks, bonds and other instruments. The ability of an Investing Portfolio to meet its investment objective is directly related to its target allocations among the Underlying Funds and the ability of those funds to meet their investment objective(s). The share price of an Investing Portfolio likely will change daily based on the performance of the Underlying Funds.

**Growth Stock Risk** — Growth stocks are stocks of companies believed to have above-average potential for growth in revenue and earnings. Prices of growth stocks may be more sensitive to changes in current or expected earnings than the prices of other stocks. Growth stocks may be more volatile or not perform as well as value stocks or the stock market in general.

**Health Care Sector Risk** — Investment risks associated with investing in securities in the health care sector, in addition to other risks, include heavy dependence on patent protection, with profitability affected by the expiration of patents; expenses and losses from extensive litigation based on product liability and similar claims; competitive forces that may make it difficult to raise prices and, in fact, may result in price discounting; the potentially long and costly process for obtaining new product approval by the FDA; the difficulty health care providers may have obtaining staff to deliver service; susceptibility to product obsolescence; and thin capitalization and limited product lines, markets, financial resources or personnel.

**Holdings Risk** — If a Portfolio typically holds a small number of stocks, or if a Portfolio's portfolio manager(s) tends to invest a significant portion of a Portfolio's total assets in a limited number of stocks, the appreciation or depreciation of any one security held by the Portfolio may have a greater impact on the Portfolio's NAV than it would if the Portfolio invested in a larger number of securities or if the Portfolio's portfolio managers invested a greater portion of the Portfolio's total assets in a larger number of stocks. Although that strategy has the potential to generate attractive returns over time, it also may increase a Portfolio's volatility.

**Income Risk** — The risk that a Portfolio may experience a decline in its income due to falling interest rates, earnings declines, or income decline within a security. The amount and rate of distributions that a Portfolio's shareholders receive are affected by the income that the Portfolio receives from its portfolio holdings. If the income is reduced, distributions by a Portfolio to shareholders may be less.

**Information Technology Sector Risk** — Investment risks associated with investing in the information technology sector, in addition to other risks, include the intense competition to which information technology companies may be subject; the dramatic and often unpredictable changes in growth rates and competition for qualified personnel among information technology companies; effects on profitability from being heavily dependent on patent and intellectual property rights and the loss or impairment of those rights; obsolescence of existing technology; general economic conditions; and government regulation.

**Initial Public Offering (IPO) Risk** — Any positive effect of investments in IPOs may not be sustainable because of a number of factors. For example, a Portfolio may not be able to buy shares in some IPOs, or may be able to buy only a small number of shares. Also, the performance of IPOs generally is volatile, and is dependent on market psychology and economic conditions. To the extent that IPOs have a significant positive impact on a Portfolio's performance, this may not be able to be replicated in the future. The relative performance impact of IPOs on a Portfolio also is likely to decline as the Portfolio grows.

**Interest Rate Risk** — The value of a debt security, mortgage-backed security or other fixed-income obligation, as well as of shares of mortgage REITs, may decline due to changes in market interest rates. Generally, when interest rates rise, the value of such a security or obligation generally decreases. Conversely, when interest rates decline, the value of such a security generally increases. Long-term debt securities, mortgage-backed securities and other fixed-income obligations generally are more sensitive to interest rate changes than short-term debt securities. A Portfolio may experience a decline in its income due to falling interest rates. Interest rates in the U.S. recently have been at, and remain near, historic lows, which may increase a Portfolio's exposure to risks associated with rising rates. During periods of low short-term interest rates, Ivy VIP Government Money Market may not be able to maintain a positive yield or may not be able to pay Portfolio expenses out of current income without impairing such Portfolio's ability to maintain a stable NAV. A Portfolio (other than Ivy VIP Government Money Market and the Pathfinder Portfolios) may use derivatives to hedge its exposure to interest rate risk.

Following the financial crisis that began in 2007, the Federal Reserve has attempted to stabilize the economy and support the economic recovery by keeping the federal funds rate (the interest rate at which depository institutions lend reserve balances to other depository institutions overnight) at or near historic lows of zero percent. In addition, as part of its monetary stimulus program known as quantitative easing, the Federal Reserve purchased on the open market large quantities of securities issued or guaranteed by the U.S. government, its agencies or instrumentalities. At the end of October 2014, the Federal Reserve ended its quantitative easing program. In December 2015, the Federal Open Market Committee of the Federal Reserve raised the target range for the federal funds rate, marking only the second such interest rate hike in nearly a decade. The Federal Reserve has subsequently raised the target range again eight additional times since then, most recently in December 2018, prior to lowering the rate three times in 2019. In response to the impact of COVID-19, in March 2020 the Federal Reserve announced cuts to the target range of the federal funds rate and a new round of quantitative easing. Because there is little precedent for this situation, it is difficult to predict the impact of these rate changes and any future rate changes on various markets. Any additional changes to the monetary policy by the Federal Reserve or other regulatory actions may affect interest rates. Recently, in response to the contracting European economy, the European Central Bank embarked upon its own round of quantitative easing for European countries; however, unemployment rates are still rising in some areas, there are concerns about unusually low rates of inflation, and uncertainty over the integrity of the monetary union itself has re-emerged.

Market developments and other factors, including a general rise in interest rates, have the potential to cause investors to move out of fixed-income securities on a large scale, which may increase redemptions from mutual funds that hold large amounts of fixed-income securities. Such a move, coupled with a reduction in the ability or willingness of dealers and other institutional investors to buy or hold fixed-income securities may result in decreased liquidity and increased volatility in the fixed-income markets, which could cause a Portfolio's NAV to fluctuate more and adversely affect the Portfolio's return.

In general, a portfolio of debt, mortgage-related and asset-backed securities and other fixed-income obligations experiences a decrease in principal value with an increase in interest rates. The extent of the decrease in principal value may be affected by a Portfolio's duration of its portfolio of debt, mortgage-related and asset-backed securities and other



fixed-income obligations. Duration measures the relative price sensitivity of a security to changes in interest rates. “Effective” duration takes into consideration the likelihood that a security will be called, or prepaid, prior to maturity given current market interest rates. Typically, a security with a longer duration is more price sensitive than a security with a shorter duration. In general, a portfolio of debt, mortgage-related and asset-backed securities experiences a percentage decrease in principal value equal to its effective duration for each 1% increase in interest rates. For example, if a Portfolio holds a portfolio of securities with an effective duration of five years and interest rates rise 1%, the principal value of such securities could be expected to decrease by approximately 5%.

**Investment Company Securities Risk** — The risks of investment in other investment companies typically reflect the risks of the types of securities in which the investment companies invest. As a shareholder in an investment company, a Portfolio would bear its pro rata share of that investment company’s expenses, which could result in the duplication of certain fees, including management and administrative fees.

■ Certain Portfolios may invest in ETFs as a means of tracking the performance of a designated stock index while maintaining liquidity or to gain exposure to precious metals and other commodities without purchasing them directly. Since many ETFs are a type of investment company, a Portfolio’s purchases of shares of such ETFs are subject to the Portfolio’s investment restrictions regarding investments in other investment companies.

ETFs have a market price that reflects a specified fraction of the value of the designated index or underlying basket of commodities or commodities futures and are exchange-traded. As with other equity securities transactions, brokers charge a commission in connection with the purchase and sale of shares of ETFs. In addition, an asset management fee is charged in connection with the management of the ETF’s portfolio (which is in addition to the investment management fee paid by a Portfolio).

Investments in an ETF generally present the same primary risks as investments in conventional funds, which are not exchange-traded. The price of an ETF can fluctuate, and a Portfolio could lose money investing in an ETF. In addition, ETFs are subject to the following risks that do not apply to conventional funds: (i) the market price of an ETF’s shares may trade at a premium or discount to its NAV; (ii) an active trading market for an ETF’s shares may not develop or be maintained; or (iii) trading of an ETF’s shares may be halted if the listing exchange officials determine such action to be appropriate, the shares are delisted from the exchange, or the activation of market-wide “circuit breakers” (which are tied to large decreases in stock prices) halts stock trading generally.

Enhanced or inverse return ETFs present greater opportunities for investment gains, but also present correspondingly greater risk of loss. Inverse or “short” ETFs seek to deliver performance that is opposite of the performance of a market benchmark (*e.g.*, if the benchmark goes down by 1%, the ETF will go up by 1%), typically using a combination of derivative strategies. Inverse ETFs seek to profit from falling market prices and will lose money if the market benchmark index goes up in value. Leveraged ETFs seek to provide returns that are a multiple of a stated benchmark, typically using a combination of derivative strategies. Like other forms of leverage, leveraged ETFs increase risk exposure relative to the amount invested and can lead to significantly greater losses than a comparable unleveraged portfolio. These ETFs are complex, carry substantial risk, and generally are used to increase or decrease a Portfolio’s exposure to the underlying index on a short-term basis. Most leveraged ETFs reset daily and seek to achieve their objectives on a daily basis and holding these ETFs for longer than one day may produce unexpected results. Due to compounding, performance over longer periods can differ significantly from the performance of the underlying index, particularly when the benchmark index experiences large ups and downs. Ownership of an ETF results in a Portfolio bearing its proportionate share of the ETF’s fees and expenses and proportionate exposure to the risks associated with the ETF’s underlying investments.

**Large Company Risk** — Large-capitalization companies may go in and out of favor based on market and economic conditions. Large-capitalization companies may be unable to respond quickly to new competitive challenges, such as changes in technology, and also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion. Although the securities of larger companies may be less volatile than those of companies with smaller market capitalizations, returns on investments in securities of large-capitalization companies could trail the returns on investments in securities of smaller companies.

**Leveraging Risk** — The risk that certain transactions of a Portfolio, such as transactions in derivative instruments, may give rise to leverage, causing the Portfolio to be more volatile than if it had not been leveraged and can result in losses to the Portfolio that exceed the amount originally invested. Because of leverage, a Portfolio’s investment exposure may exceed the Portfolio’s net assets.

**Liquidity Risk** — Liquidity generally is related to the market trading volume for a particular security. Investments in smaller companies, foreign companies, companies in emerging markets or certain instruments such as derivatives are subject to a variety of risks, including potential lack of liquidity. Securities that have relatively less liquidity may trade at a discount from comparable, more liquid investments and may be subject to wider fluctuations in market value. Such securities may be more difficult to dispose of at their recorded values and are subject to increased spreads and volatility. Also, a Portfolio may not be able to dispose of illiquid, or relatively less liquid, securities when that would be beneficial at a favorable time or price. Certain investments that generally were liquid when a Portfolio purchased them may become



relatively less liquid, or even deemed illiquid, sometimes abruptly, particularly during periods of increased market volatility or adverse investor perception. In addition, with regard to fixed-income securities, market maker capacity may act to decrease liquidity in the fixed-income markets and act to further increase volatility, affecting the returns of a Portfolio if it invests in such securities.

**Loan Risk** — In addition to the risks typically associated with fixed-income securities, loans (including loan assignments, loan participations and other loan instruments) carry other risks, including the risk of insolvency of the lending bank or other intermediary. The risks associated with loans are similar to the risks of low-rated debt securities or “junk” bonds since loans typically are below investment-grade. Loans may be unsecured or not fully collateralized, may be subject to restrictions on resale, may be difficult to value, sometimes trade infrequently on the secondary market and generally are subject to extended settlement periods. Any of these factors may impair a Portfolio's ability to sell or realize promptly the full value of its loans in the event of a need to liquidate such loans. Difficulty in selling a loan can result in a loss. Accordingly, loans that have been sold may not be immediately available to meet redemptions. Extended trade settlement periods may result in cash not being immediately available to a Portfolio. As a result, the Portfolio may have to sell other investments or engage in borrowing transactions to raise cash to meet its obligations. Interests in secured loans have the benefit of collateral and, typically, of restrictive covenants limiting the ability of the borrower to further encumber its assets. There is a risk that the value of the collateral securing the loan may decline after a Portfolio invests and that the collateral may not be sufficient to cover the amount owed to the Portfolio. In the event the borrower defaults, a Portfolio's access to the collateral may be limited or delayed by bankruptcy or other insolvency laws. These risks could cause the Portfolio to lose income or principal on a particular investment, which could affect the Portfolio's returns. In addition, loans also are subject to the risk that a court could subordinate the loan to presently existing or future indebtedness or take other action detrimental to the holders of the loan. Further, in the event of a default, second or lower lien secured loans will generally be paid only if the value of the collateral exceeds the amount of the borrower's obligations to the senior secured lenders, and the remaining collateral may not be sufficient to cover the full amount owed on the loan in which a Portfolio has an interest. If the loan is unsecured, there is no specific collateral on which a Portfolio can foreclose. In addition, if a secured loan is foreclosed, a Portfolio may bear the costs and liabilities associated with owning and disposing of the collateral, including the risk that collateral may be difficult to sell. The restructuring of a loan, either in a negotiated work-out or in the context of bankruptcy, could involve an exchange of such loan for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid, speculative or unregistered.

Loans made to finance highly leveraged corporate acquisitions may be especially vulnerable to adverse changes in economic or market conditions. Certain loans may not be considered “securities,” and purchasers, such as a Portfolio, therefore may not be entitled to rely on the strong anti-fraud protections of the federal securities laws. With loan assignments, as an assignee, a Portfolio normally will succeed to all rights and obligations of its assignor with respect to the portion of the loan that is being assigned. However, the rights and obligations acquired by the purchaser of a loan assignment may differ from, and be more limited than, those held by the original lenders or the assignor. With loan participations, a Portfolio may not be able to control the exercise of any remedies that the lender would have under the loan and likely would not have any rights against the borrower directly, so that delays and expense may be greater than those that would be involved if a Portfolio could enforce its rights directly against the borrower.

**Low-Rated Securities Risk** — In general, low-rated debt securities (commonly referred to as “high-yield” or “junk” bonds) offer higher yields due to the increased risk that the issuer will be unable to meet its obligations on interest or principal payments at the time called for by the debt instrument. For this reason, these securities are considered speculative and could significantly weaken a Portfolio's returns. In adverse economic or other circumstances, issuers of these low-rated securities and obligations are more likely to have difficulty making principal and interest payments than issuers of higher-rated securities and obligations.

In addition, these low-rated securities and obligations may fluctuate more widely in price and yield than higher-rated securities and obligations and may fall in price during times when the economy is weak or is expected to become weak. Low-rated securities and obligations also may require a greater degree of judgment to establish a price, may be difficult to sell at the time and price a Portfolio desires, and may carry higher transaction costs. Issuers of securities that are in default or have defaulted may fail to resume principal or interest payments, in which case a Portfolio may lose its entire investment. In addition, a defaulted obligation or other restructuring of an obligation could involve an exchange of such obligation for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid, speculative or unregistered. Low-rated securities and obligations are susceptible to such a default or decline in market value due to real or perceived adverse economic and business developments relating to the issuer, the industry in general, market interest rates and market liquidity. The market value of these securities can be volatile. Ratings of a security or obligation may not accurately reflect the actual credit risk associated with such a security. The creditworthiness of issuers of low-rated securities may be more complex to analyze than that of issuers of investment-grade debt securities.

**Managed Volatility Strategy Risk** — Securian AM may be unsuccessful in managing volatility, and there is a risk that the Managed Volatility Portfolio may experience a high level of volatility in its equity returns. The Managed Volatility Portfolio's holdings are subject to price volatility, and the Managed Volatility Portfolio may not be any less volatile than the market as a whole and could be more volatile. In addition, there can be no guarantee that the Managed Volatility

Portfolio will achieve its goal of managing the volatility of its equity returns. Furthermore, while the management of volatility seeks competitive returns with more consistent volatility, the management of the volatility does not ensure that the Managed Volatility Portfolio will deliver competitive returns. Additionally, even if successful, the Managed Volatility Portfolio's management of volatility also may generally result in the Managed Volatility Portfolio's NAV increasing to a lesser degree than the markets (*e.g.*, in a rising market with relatively high volatility), or decreasing to a greater degree than the market (*e.g.*, in a declining market with relatively low volatility). The Managed Volatility Portfolio's managed volatility strategy may expose the Managed Volatility Portfolio to losses (some of which may be sudden) to which it would not have otherwise been exposed if it invested only in Underlying Funds. Additionally, the derivatives used by Securian AM are not being used to hedge the value of the Managed Volatility Portfolio's investment in Underlying Funds, and as a result, the Managed Volatility Portfolio's investment in derivatives may decline in value at the same time as the Managed Volatility Portfolio's investment in Underlying Funds. Securian AM does not intend to attempt to manage the volatility of the Portfolio's fixed-income returns. It is possible that the fixed-income portion of the Portfolio, whose volatility would not be managed by the volatility management strategy, could become more volatile than the equity portion of the Portfolio.

**Management Risk** — The Investment Manager applies a Portfolio's investment strategies and selects securities for the Portfolio in seeking to achieve the Portfolio's investment objective(s). There can be no guarantee that its decisions will produce the desired results, and securities selected by a Portfolio may not perform as well as the securities held by other mutual funds with investment objectives that are similar to the investment objective(s) of the Portfolio. In general, investment decisions made by the Investment Manager may not produce the anticipated returns, may cause a Portfolio's shares to lose value or may cause a Portfolio to perform less favorably than other mutual funds with similar investment objectives.

**Market Risk** — Markets can be volatile, and stock prices change daily, sometimes rapidly or unpredictably. As a result, a Portfolio's holdings can decline in response to adverse issuer, political, regulatory, market or economic developments or conditions that may cause a broad market decline. Different parts of the market, including different sectors and different types of securities, can react differently to these developments. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. During a general downturn in the financial markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that specific investments held by a Portfolio will rise in value. Market risk may affect a single issuer or the market as a whole. At times, a Portfolio may hold a relatively high percentage of its assets in stocks of a particular market sector, which would subject the Portfolio to proportionately higher exposure to the risks of that sector.

Securities are subject to price movements due to changes in general economic conditions (which may not be specifically related to the particular issuer), such as the level of prevailing interest or currency rates, changes in the general outlook for revenues or corporate earnings, investor sentiment and perceptions of the market generally. The value of securities also may go up or down due to factors that affect an individual issuer or a particular industry or sector, such as changes in production costs and competitive conditions within the industry. Market prices of equity securities generally are more volatile than debt securities. This may cause a security to be worth less than the price originally paid for it, or less than it was worth at an earlier time.

Global economies and financial markets have become increasingly interconnected, meaning that conditions in one country or region may adversely affect issuers in another country or region, which in turn may adversely affect securities held by a Portfolio. In addition, certain events, such as natural disasters, terrorist attacks, war, regional or global instability and other geopolitical events, have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

In the years since the financial crisis that started in 2008, the U.S. and many global economies at times have experienced volatility in the financial markets. Turbulence in the financial markets and reduced liquidity may negatively affect issuers, which could have an adverse effect on a Portfolio. In addition, there is a risk that recent policy changes by the U.S. government and the Federal Reserve, which include increasing interest rates, could cause increased volatility in financial markets.

The value of assets or income from a Portfolio's investments may be adversely affected by inflation or changes in the market's expectations regarding inflation. Furthermore, there is a risk that the prices of goods and services in the U.S. and many foreign economies may decline over time, known as deflation (the opposite of inflation). Deflation may have an adverse effect on stock prices and creditworthiness and may make defaults on debt more likely. If a country's economy slips into a deflationary pattern, it could last for a prolonged period and may be difficult to reverse.

An outbreak of infectious respiratory illness caused by a novel coronavirus known as COVID-19 was first detected in China in December 2019 and has now been detected globally. This coronavirus has resulted in travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, prolonged quarantines, cancellations, supply chain disruptions, and lower consumer demand, as well as general concern and uncertainty. The impact of COVID-19, and other infectious illness outbreaks that may arise in the future, could adversely affect the economies of many nations or the entire global economy, individual

issuers and capital markets in ways that cannot necessarily be foreseen. In addition, the impact of infectious illnesses in emerging market countries may be greater due to generally less established healthcare systems. Public health crises caused by the COVID-19 outbreak may exacerbate other pre-existing political, social and economic risks in certain countries or globally. The duration of the COVID-19 outbreak and its effects cannot be determined with certainty.

**Master Limited Partnership (MLP) Risk** — Investments in securities of an MLP involve risks that differ from investments in common stocks, including, among others, risks related to limited control and limited rights to vote on matters affecting the MLP, cash flow risks, dilution risks, and others.

Investing in MLPs also involves certain risks related to investing in the underlying assets of the MLPs and risks associated with pooled investment vehicles. MLPs holding credit-related investments are subject to interest rate risk and the risk of default on payment obligations by debt issuers. MLPs that concentrate in a particular industry or a particular geographical region are subject to risks associated with such industry or region. Investments held by MLPs may be relatively illiquid, limiting the MLPs' ability to vary their portfolios promptly in response to changes in economic or other conditions. MLPs may have limited financial resources, their securities may trade infrequently and in limited volume, and they may be subject to more abrupt or erratic price movements than securities of larger or more broadly based companies.

MLPs taxed as partnerships do not pay U.S. federal income tax at the partnership level. A change in current tax law, or a change in the underlying business mix of a given MLP, however, could result in an MLP being treated as a corporation for U.S. federal income tax purposes, which would have the effect of reducing the amount of cash available for distribution by the MLP and could result in a reduction of the value of the underlying fund's investment, and consequently your investment in a Portfolio and lower income. A distribution from an MLP may consist in part of a return of the amount originally invested, which would not be taxable to the extent the distribution does not exceed the investor's adjusted basis in its MLP interest.

**Materials Sector Risk** — Investment risks associated with investing in securities in the materials sector, in addition to other risks, include adverse effects from commodity price volatility, exchange rates, import controls and increased competition; the possibility that production of industrial materials will exceed demand as a result of overbuilding or economic downturns, leading to poor investment returns; risk for environmental damage and product liability claims; and adverse effects from depletion of resources, technical progress, labor relations and government regulations.

**Metals Investment Risk** — Investments in metals may be highly volatile and can change quickly and unpredictably due to a number of factors, including the supply and demand of each metal, environmental or labor costs, political, legal, financial, accounting and tax matters and other events that a Portfolio cannot control. In addition, changes in international monetary policies or economic and political conditions can affect the supply of metals, and consequently the value of metal investments. The U.S. or foreign governments may pass laws or regulations limiting metal investments for strategic or other policy reasons. Further, the principal supplies of metal industries may be concentrated in a small number of countries and regions.

**Mid-Size Company Risk** — Securities of mid-capitalization companies may be more vulnerable to adverse developments than those of larger companies due to such companies' limited product lines, limited markets and financial resources and dependence upon a relatively small management group. Securities of mid-capitalization companies may be more volatile and less liquid than the securities of larger companies and may be affected to a greater extent than other types of securities by the underperformance of a sector or during market downturns.

**Money Market Fund Regulatory Risk** — As a money market fund, Ivy VIP Government Money Market is subject to the specific rules governing money market funds and is subject to regulation by the SEC. These rules govern the manner in which money market funds are structured and operated and could significantly affect the money market fund industry generally and, therefore, may impact Portfolio expenses, operations, returns and liquidity.

**Mortgage-Backed and Asset-Backed Securities Risk** — Mortgage-backed and asset-backed securities are subject to prepayment risk and extension risk. When interest rates decline, unscheduled prepayments can be expected to accelerate, shortening the average lives of such securities, and a Portfolio may be required to reinvest the proceeds of the prepayments at the lower interest rates then available. Unscheduled prepayments also would limit the potential for capital appreciation on mortgage-backed and asset-backed securities and may make them less effective than other fixed-income securities as a means of "locking in" long-term interest rates, thereby reducing a Portfolio's income. Conversely, when interest rates rise, the values of mortgage-backed and asset-backed securities generally fall. Rising interest rates typically result in decreased prepayments and longer average lives of such securities. This could cause the value of such securities to be more volatile or to decline more than other fixed-income securities, and may magnify the effect of the rate increase on the price of such securities. If a Portfolio purchases mortgage-backed or asset-backed securities that are "subordinated" to other interests in the same pool, the Portfolio, as a holder of those securities, may only receive payments after the pool's obligations to other investors have been satisfied. For example, an unexpectedly

high rate of defaults on the mortgages held by a mortgage pool may limit substantially the pool's ability to make payments of principal or interest to a Portfolio as a holder of such subordinated securities, reducing the values of those securities or in some cases rendering them worthless; the risk of such defaults generally is higher in the case of mortgage pools that include so-called "subprime" mortgages.

Certain mortgage-backed securities are U.S. government securities. See *U.S. Government Securities Risk* for the risks of these types of securities. For non-U.S. government securities, there is the risk that payments on a security will not be made when due, or the value of such security will decline, because the security is not issued or guaranteed as to principal or interest by the U.S. government or by agencies or authorities controlled or supervised by and acting as instrumentalities of the U.S. government or supported by the right of the issuer to borrow from the U.S. government.

**Natural Resources Industry Risk** — Investment risks associated with investing in securities of natural resources companies, in addition to other risks, include price fluctuation caused by real and perceived inflationary trends and political developments, the cost assumed by natural resource companies in complying with environmental and safety regulations, changes in supply of, or demand for, various natural resources, changes in energy prices, environmental incidents, energy conservation, the success of exploration projects, changes in commodity prices, and special risks associated with natural or man-made disasters. Securities of natural resource companies that are dependent on a single commodity, or are concentrated in a single commodity sector, may exhibit high volatility attributable to commodity prices.

**Non-Agency Securities Risk** — The risk that payments on a security will not be made when due, or the value of such security will decline, because the security is not issued or guaranteed as to principal or interest by the U.S. government or by agencies or authorities controlled or supervised by and acting as instrumentalities of the U.S. government. These securities may include, but are not limited to, securities issued by non-government entities which can include instruments secured by obligations of prime, Alt A, and sub-prime residential mortgage borrowers. Non-agency securities also may include asset-backed securities (which represent interests in auto, consumer and/or credit card loans) and commercial mortgage-backed securities (which represent interests in commercial mortgage loans). Non-agency securities can present valuation and liquidity issues and be subject to precipitous downgrades (or even default) during time periods characterized by recessionary market pressures such as falling home prices, rising unemployment, bank failures and/or other negative market stresses. The risk of non-payment by the issuer of any non-agency security increases when markets are stressed.

**Non-Diversification Risk** — Certain Portfolios are "non-diversified" mutual funds and, as such, their investments are not required to meet certain diversification requirements under federal law. Compared with "diversified" portfolios, such Portfolios may invest a greater percentage of its assets in the securities of an issuer. Thus, such Portfolios may hold fewer securities than other portfolios. A decline in the value of those investments would cause such Portfolio's overall value to decline to a greater degree than if the Portfolio held a more diversified portfolio.

**Political, Legislative or Regulatory Risk** — The municipal securities market generally, or certain municipal securities in particular, may be significantly affected by adverse political, legislative or regulatory changes or litigation at the federal or state level. For example, political or legislative changes (as well as economic conditions) in a particular state or political subdivision of the state may affect the ability of the state or subdivision's governmental entities to pay interest, to repay principal on their obligations or to issue new municipal obligations.

In addition, the value of municipal securities is affected by the value of tax-exempt income to investors. For example, a significant change in rates or a restructuring of the federal income tax (or serious consideration of such a change by the U.S. government) may cause a decline in municipal securities prices, since lower income tax rates or tax restructuring could reduce the advantage of owning municipal securities. Lower state or municipal income tax rates may have a similar effect on the value of municipal securities issued by a governmental entity in that state or municipality.

**Portfolio Turnover Risk** — Frequent buying and selling of investments involve higher costs to a Portfolio and may affect the Portfolio's performance over time. High rates of portfolio turnover may result in the realization of net short-term capital gains. The payment of taxes on distributions of these gains could adversely affect a shareholder's after-tax return on its investment in a Portfolio. Any distributions attributable to such net gains will be taxed as ordinary income for federal income tax purposes. Factors that can lead to short-term trading include market volatility, a significant positive or negative development concerning a security, an attempt to maintain a Portfolio's market capitalization target, and the need to sell a security to meet redemption activity.

**Preferred Stock Risk** — Preferred stock is a type of stock that pays a cumulative, fixed dividend that is senior to the dividends paid on the common stock of the issuer. Preferred stock may pay fixed or adjustable rates of return. Preferred stock is subject to issuer-specific and market risks applicable generally to equity securities. In addition, a company's preferred securities generally pay dividends only after the company makes required payments to holders of its bonds and other debt. Preferred stock also is subject to credit risk with regard to the ability of the issuer to pay the dividend established upon issuance of the preferred stock.



**Real Estate Industry Risk** — Investment risks associated with investing in real estate securities, in addition to other risks, include rental income fluctuation, depreciation, property tax value changes, differences in real estate market values, overbuilding and extended vacancies, increased competition, operating expenses or zoning laws, costs of environmental clean-up or damages from natural disasters, cash flow fluctuations, and defaults by borrowers and tenants.

**Redemption Risk** — A Portfolio may experience periods of heavy redemptions that could cause the Portfolio to sell assets at inopportune times or at a loss or depressed value. Redemption risk is heightened during periods of declining or illiquid markets. Heavy redemptions could hurt a Portfolio's performance.

**Regional Focus Risk** — Focusing on a particular geographical region or country involves increased currency, political, regulatory and other risks. To the extent a Portfolio invests a significant portion of its assets in a particular geographical region or country, economic, political, social and environmental conditions in that region or country will have a greater effect on Portfolio performance than they would in a more geographically diversified equity fund and a Portfolio's performance may be more volatile than the performance of a more geographically diversified fund.

**Reinvestment Risk** — Income from a Portfolio's debt securities may decline if the Portfolio invests the proceeds from matured, traded, prepaid or called securities in securities with interest rates lower than the current earnings rate of the Portfolio's holdings. For example, debt securities with high relative interest rates may be paid by the issuer prior to maturity, particularly during periods of falling interest rates. During periods of falling interest rates, there is the possibility that an issuer will call its securities if they can be refinanced by issuing new securities with a lower interest rate (commonly referred to as optional call risk). Moreover, falling interest rates could cause prepayments of mortgage loans to occur more quickly than expected. This may occur because, as interest rates fall, more property owners refinance the mortgages underlying mortgage-backed securities (including shares of mortgage REITs). As a result, a Portfolio may have to reinvest the proceeds in other securities with generally lower interest rates, resulting in a decline in the Portfolio's investment income.

**REIT-Related Risk** — The value of a Portfolio's investments in a REIT may be adversely affected by (1) changes in the value of the REIT's underlying property or the property secured by mortgages the REIT holds; (2) loss of REIT federal tax status (and the resulting inability to qualify for modified pass-through tax treatment under the Code) or changes in laws and/or rules related to that status; or (3) the REIT's failure to maintain its exemption from registration under the 1940 Act. In addition, a Portfolio may experience a decline in its income from REIT securities due to falling interest rates or decreasing dividend payments.

**REOC-Related Risk** — A REOC is similar to an equity REIT in that it owns and operates commercial real estate, but unlike a REIT, it has the freedom to retain all its funds from operations and, in general, faces fewer restrictions than a REIT. REOCs do not pay any specific level of income as dividends, if at all, and there is no minimum restriction on the number of owners nor limits on ownership concentration. The value of a Portfolio's REOC securities may be adversely affected by certain of the same factors that adversely affect REITs. In addition, a corporate REOC does not qualify for the federal tax treatment that is accorded a REIT. In addition, a Portfolio may experience a decline in its income from REOC securities due to falling interest rates or decreasing dividend payments.

**Repurchase Agreements Risk** — Repurchase agreements are agreements in which the seller of a security to Ivy VIP Government Money Market agrees to repurchase that security from the Portfolio at a mutually agreed-upon price and time. The return on the securities subject to the repurchase agreement may be more or less than the return on the repurchase agreement. Repurchase agreements carry the risk that the counterparty may not fulfill its obligations under the agreement. This could cause Ivy VIP Government Money Market's income to decline and may impact the Portfolio's performance.

**Restricted Securities Risk** — Restricted securities are subject to legal or contractual restrictions on resale, and there can be no assurance of a ready market for resale. These securities include private placements or other unregistered securities, such as "Rule 144A securities", which are securities that may be sold only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the 1933 Act). Privately placed securities, Rule 144A securities and other restricted securities may have the effect of increasing the level of Portfolio illiquidity to the extent a Portfolio finds it difficult to sell these securities when the Investment Manager believes it is desirable to do so, especially under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer, and the prices realized could be less than those originally paid, or less than the fair market value. At times, the illiquidity of the market, as well as the lack of publicly available information regarding these securities also may make it difficult to determine the fair market value of such securities for purposes of computing the NAV of a Portfolio.

**Science and Technology Industry Risk** — Investment risks associated with investing in science and technology securities, in addition to other risks, include a company's operating in rapidly changing fields, abrupt or erratic market movements, limited product lines, markets or financial resources, management that is dependent on a limited number of



people, short product cycles, and aggressive pricing of products and services, as well as new market entrants and obsolescence of existing technology. In addition, these securities may be impacted by commodity and energy prices, which can be volatile, and may increase the volatility of these securities.

**Sector Risk** — At times, a Portfolio may have a significant portion of its assets invested in securities of companies conducting business in a broadly related group of industries within an economic sector. Individual sectors may be more volatile, and may perform differently, than the broader market. Companies in the same economic sector may be similarly affected by economic or market events, making a Portfolio more vulnerable to unfavorable developments in that economic sector than portfolios that invest more broadly.

**Securities Lending Risk** — Securities lending involves a risk of loss because the borrower may fail to return the securities in a timely manner or at all. If a Portfolio that lent its securities were unable to recover the securities loaned, it may sell the collateral and purchase a replacement security in the market. Lending securities entails a risk of loss to a Portfolio if and to the extent that the market value of the loaned securities increases and the collateral is not increased accordingly. Cash received as collateral for loaned securities may be invested, and such investment is subject to market appreciation or depreciation, with the Portfolio bearing any loss.

**Small Company Risk** — Securities of small-capitalization companies are subject to greater price volatility, lower trading volume and less liquidity due to, among other things, such companies' small size, limited product lines, limited access to financing sources and limited management depth. In addition, the frequency and volume of trading of such securities may be less than is typical of larger companies, making them subject to wider price fluctuations, and such securities may be affected to a greater extent than other types of securities by the underperformance of a sector or during market downturns. In some cases, there could be difficulties in selling securities of small-capitalization companies at the desired time.

**Subsidiary Investment Risk** — By investing in its Subsidiary, Ivy VIP Asset Strategy is exposed to the risks associated with its Subsidiary's investments. The Portfolio's Subsidiary is not registered under the 1940 Act, and is not subject to all of the investor protections of the 1940 Act. Thus, the Portfolio, as an investor in its Subsidiary, would not have all of the protections offered to investors in registered investment companies. However, because the Portfolio wholly owns and controls its Subsidiary, and the Portfolio and its Subsidiary are managed by IICO, it is unlikely that the Portfolio's Subsidiary would take action contrary to the interests of the Portfolio or the Portfolio's shareholders. In addition, changes in the laws of the U.S. and/or the Cayman Islands, under which the Portfolio and its Subsidiary are organized, respectively, could result in the inability of the Portfolio and/or its Subsidiary to operate as intended and could negatively affect the Portfolio and its shareholders.

**Subsidiary Tax Risk** — To qualify as a regulated investment company (RIC) under the federal tax law for a taxable year, a Portfolio must derive at least 90% of its annual gross income from sources considered to be "qualifying" income. However, income derived from disposing of commodities is not considered "qualifying" income. By investing in its Subsidiary, Ivy VIP Asset Strategy is exposed to the risk that it will be treated as having gains resulting from disposing of commodities (that is, "non-qualifying" income), and therefore may not qualify as a RIC in any given taxable year. If the Portfolio failed to qualify as a RIC, it may incur potentially significant federal income tax expense and, more importantly, also may cause investors to incur tax liabilities they otherwise would not have incurred currently, because each insurance company separate account invested in the Portfolio would fail to satisfy certain diversification requirements imposed by the Code and the regulations thereunder, with the result that the Policies supported by such account no longer would be eligible for your deferral. For example, such Portfolio would be subject to income tax on its taxable income at corporate rates, with the consequence that its income available for distribution to shareholders would be reduced. In addition, such taxable income also would be subject to tax at the shareholder level as dividend income when distributed to shareholders. The Portfolio has received an opinion of counsel, which is not binding on the IRS or the courts, that income the Portfolio receives from its Subsidiary should constitute qualifying income. However, if the IRS were to determine that the Portfolio's income from a subsidiary was not considered qualifying income and that determination was upheld by the courts, then such Portfolio — despite the opinion of counsel — might be unable to qualify as a RIC. In addition, it is possible that future tax legislation, regulations, and/or further guidance issued by the IRS may affect the character, timing, and/or amount of the Portfolio's taxable income or capital gains and distributions it makes, which in turn may adversely affect the Portfolio and its shareholders. In September 2016, the Treasury and the IRS proposed regulations that would treat such income as qualifying income only to the extent the RIC receives a distribution out of a subsidiary's earnings and profits, which is the practice the Subsidiary and the Portfolio follow.

**Theme Risk** — A Portfolio's investment strategy may incorporate the identification of themes, in which case the Portfolio's performance may suffer if the Investment Manager does not correctly identify such themes or if a theme develops in an unanticipated way.

**U.S. Government Securities Risk** — Certain U.S. government securities such as Treasury securities and securities issued by Ginnie Mae, are backed by the full faith and credit of the U.S. government. Other securities that are issued or guaranteed by federal agencies or authorities or by U.S. government-sponsored instrumentalities or enterprises may or may not be backed by the full faith and credit of the U.S. government. For example, securities issued by Fannie Mae,

Freddie Mac and the FHLB are not backed by the full faith and credit of the U.S. government and, instead, may be supported only by the right of the issuer to borrow from the Treasury or by the credit of the issuer. As a result, such securities are subject to greater credit risk than securities backed by the full faith and credit of the U.S. government.

A Portfolio may invest in separately traded principal and interest components of securities issued or guaranteed by the Treasury under the STRIPS program. Under the STRIPS program, the principal and interest components are separately issued by the Treasury at the request of depository financial institutions, which then trade the component parts independently. The market prices of STRIPS generally are more volatile than those of Treasury bills with comparable maturities.

**Value Stock Risk** — Value stocks are stocks of companies that may have experienced adverse business or industry developments or may be subject to special risks that have caused the stocks to be out of favor and, in the opinion of the Investment Manager, undervalued. The value of a security believed by the Investment Manager to be undervalued may never reach what is believed to be its full value, such security's value may decrease or such security may be appropriately priced.

**When-Issued and Delayed-Delivery Transaction Risk** — Ivy VIP Government Money Market may purchase securities in which it may invest on a when-issued or delayed-delivery basis or sell them on a delayed-delivery basis. The securities so purchased or sold are subject to market fluctuation; their value may be less or more when delivered than the purchase price paid or received. When purchasing securities on a when-issued or delayed-delivery basis, the Portfolio assumes the rights and risks of ownership, including the risk of price and yield fluctuations. If the other party to a delayed-delivery transaction fails to deliver to pay for the securities, the Portfolio could miss a favorable price or yield opportunity, or could suffer a loss.

# The Management of the Portfolios

## Portfolio Management

The Portfolios are managed by IICO, subject to the authority of the Board. IICO provides investment advice to each of the Portfolios and supervises each Portfolio's investments. IICO has served as investment manager to the Portfolios since September 2016; prior to that date, Waddell & Reed Investment Management Company (WRIMCO), an affiliate of IICO, served as investment adviser to the Portfolios since their inception. IICO is located at 6300 Lamar Avenue, Overland Park, Kansas 66202-4200. IICO had approximately \$74.8 billion in assets under management as of December 31, 2020.

IICO has received "manager of managers" exemptive relief from the SEC (the Order) that permits IICO, subject to the approval of the Board (including a majority of Trustees who are not "interested persons," as defined in Section 2(a)(19) of the 1940 Act, of the Trust, IICO or any subadviser), to appoint an unaffiliated investment subadviser or to materially amend the terms of an investment subadvisory agreement with an unaffiliated investment subadviser for a Portfolio without first obtaining shareholder approval (except if the change results in an increase in the aggregate advisory fee payable by the Portfolio). Prior to relying on the Order, a Portfolio must receive approval of its shareholders. The Order permits the Portfolios to add or to change unaffiliated investment subadvisers or to change the fees paid to such investment subadvisers from time to time without the expense and delays associated with obtaining shareholder approval of the change. Under the Order, IICO has the ultimate responsibility (subject to oversight by the Board) to oversee any investment subadvisers and recommend their hiring, termination and replacement, and IICO may, at times, recommend to the Board that a Portfolio change, add or terminate its investment subadviser; continue to retain its investment subadviser even though the investment subadviser's ownership or corporate structure has changed; or materially change the investment subadvisory agreement with its investment subadviser. Each Portfolio will notify shareholders of any change in the identity of an investment subadviser or the addition of an investment subadviser to the Portfolio.

Currently, only shareholders of the Managed Volatility Portfolios have approved the use of the Order. Accordingly, only the Managed Volatility Portfolios may rely on the Order. If shareholders of other Portfolios approve the use of the Order in the future, then those Portfolios also may rely on the Order.

Securian Asset Management, Inc. (Securian AM), an investment adviser located at 400 Robert Street North, St. Paul, Minnesota 55101, serves as investment subadviser to, and as such provides investment advice to, and generally conducts the investment management program for, Ivy VIP Securian Real Estate Securities pursuant to an agreement with IICO and also provides investment advice to, and generally conducts the investment management program as it relates to the portion of a Managed Volatility Portfolio allocated to the volatility management strategy as described in the Principal Investment Strategies section for each of Ivy VIP Pathfinder Moderate — Managed Volatility, Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility and Ivy VIP Pathfinder Moderately Conservative — Managed Volatility pursuant to an agreement with IICO. Since its inception in 1985, Securian AM and its predecessor have provided investment advisory services for mutual funds and have managed investment portfolios for various private accounts, including its affiliate, Minnesota Life Insurance Company (Minnesota Life). Both Securian AM and Minnesota Life are wholly-owned subsidiaries of Securian Financial Group, Inc., which is a second-tier subsidiary of Minnesota Mutual Companies, Inc., a mutual insurance holding company. Personnel of Securian AM also manage Minnesota Life's investment portfolios. Securian AM had approximately \$52.3 billion in assets under management as of December 31, 2020.

**Ivy VIP Asset Strategy:** F. Chace Brundige and W. Jeffery Surles are primarily responsible for the day-to-day portfolio management of the Ivy VIP Asset Strategy. Mr. Brundige has held his Portfolio responsibilities since August 2014. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. In 2003, he joined IICO as an assistant portfolio manager for the large-capitalization growth equity team, and became a portfolio manager in February 2006. Mr. Brundige holds a BS degree in Finance from Kansas State University, and has earned an MBA with an emphasis in Finance and Accounting from the University of Chicago Graduate School of Business. He is a Chartered Financial Analyst (CFA) Charterholder.

Mr. Surles has held his Portfolio responsibilities since February 2018. He is Senior Vice President of IICO, Vice President of the Trust and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. He joined the company in 2007 initially serving as an investment analyst. Mr. Surles earned a BS degree from Vanderbilt University, and an MBA from the University of Wisconsin. He is a Chartered Financial Analyst (CFA) Charterholder.

**Ivy VIP Balanced:** Matthew A. Hekman, Mark G. Beischel and Susan K. Regan are primarily responsible for the day-to-day portfolio management of Ivy VIP Balanced. Mr. Hekman has held his Portfolio responsibilities since August 2014. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for another investment company for which IICO serves as investment manager. He joined the company in June 2003 as a

performance analyst, and joined the large-capitalization value team as assistant portfolio manager in September 2011. Mr. Hekman graduated from Dordt College in 1998 with a BA in Business Administration and earned an MBA with an emphasis in Finance from the University of Kansas in 2003. He is a Chartered Financial Analyst (CFA) Charterholder.

Mr. Beischel has held his Portfolio responsibilities since April 2018. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. He has served as Global Director of Fixed Income of IICO since June 2011. He has served as assistant portfolio manager for investment companies managed by IICO (or its affiliates) since 2000, and has been an employee of such since 1998. Mr. Beischel earned a BA degree in Business Management from the University of Wisconsin at Eau Claire, and an MBA with emphasis in Finance from the University of Denver. He is a Chartered Financial Analyst (CFA) Charterholder.

Ms. Regan has held her Portfolio responsibilities since April 2018. She is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. She joined IICO in November 2007 as a fixed-income investment analyst and trader. She was appointed assistant vice president and assistant portfolio manager in January 2010. Ms. Regan earned a BA in Economics in May 1984 and an MA in Economics in December 1985 from the University of Missouri-Columbia.

**Ivy VIP Core Equity:** Erik R. Becker is primarily responsible for the day-to-day portfolio management of Ivy VIP Core Equity, and has held his Portfolio responsibilities since July 2006. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for another investment company for which IICO serves as investment manager. He joined the company in 1999 as an investment analyst and had served as an assistant portfolio manager for Ivy VIP Core Equity since 2003, in addition to his duties as a research analyst. He has served as a portfolio manager since February 2006. Mr. Becker earned a BBA degree in Finance, Investments and Banking and an MS in Finance from the University of Wisconsin-Madison. He is a Chartered Financial Analyst (CFA) Charterholder.

**Ivy VIP Corporate Bond:** Mark G. Beischel and Susan K. Regan are primarily responsible for the day-to-day portfolio management of Ivy VIP Corporate Bond. Mr. Beischel has held his Portfolio responsibilities since April 2018. He also is a co-portfolio manager for Ivy VIP Balanced and Ivy VIP Global Bond, and his biographical information is listed above under *The Management of the Portfolios — Portfolio Management — Ivy VIP Balanced*.

Ms. Regan has held her Portfolio responsibilities since April 2018. She also is a co-portfolio manager for Ivy VIP Balanced and Ivy VIP Limited-Term Bond, and her biographical information is listed above under *The Management of the Portfolios — Portfolio Management — Ivy VIP Balanced*.

**Ivy VIP Energy:** David P. Ginther and Michael T. Wolverton are primarily responsible for the day-to-day portfolio management of Ivy VIP Energy. Mr. Ginther has held his Portfolio responsibilities since the inception of the Portfolio in May 2006. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. He has been an employee of the company since 1995. Mr. Ginther holds a BS degree in Accounting from Kansas State University, and has earned the designation of Certified Public Accountant.

Mr. Wolverton has held his Portfolio responsibilities since October 2016. He is Vice President of IICO, Vice President of the Trust and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. He joined IICO in 2005 as an investment analyst. He was appointed Assistant Vice President in 2012 and has served as an assistant portfolio manager of investment companies managed by IICO since 2013. Mr. Wolverton earned a BS in Accounting from William Jewell College and holds an MBA with an emphasis in Finance from the University of Texas at Austin, McCombs School of Business.

**Ivy VIP Global Bond:** Mark G. Beischel is primarily responsible for the day-to-day portfolio management of Ivy VIP Global Bond, and has held his Portfolio responsibilities since the inception of the Portfolio in August 2010. He also is a co-portfolio manager for Ivy VIP Balanced and Ivy VIP Corporate Bond, and his biographical information is listed above under *The Management of the Portfolios — Portfolio Management — Ivy VIP Balanced*.

**Ivy VIP Global Equity Income:** Christopher J. Parker and Robert E. Nightingale are primarily responsible for the day-to-day portfolio management of Ivy VIP Global Equity Income. Mr. Parker has held his Portfolio responsibilities since August 2014. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. He joined the company in January 2008 as an investment analyst and has served as portfolio manager for investment companies managed by IICO since September 2011. Mr. Parker earned a BS degree in Finance from Boston College and an MBA with concentrations in Finance and Management/Strategy from Northwestern University, Kellogg Graduate School of Management. He is a Chartered Financial Analyst (CFA) Charterholder.

Mr. Nightingale has held his Portfolio responsibilities since April 2018. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. He joined the company in 1996 initially serving as an investment analyst and has served



as assistant portfolio manager for funds managed by IICO since February 2006. Mr. Nightingale earned a BS degree in Economics from the University of Wisconsin, as well as an MS in Urban and Regional Planning and an MS in Finance from the University of Wisconsin. He is a Chartered Financial Analyst (CFA) Charterholder.

**Ivy VIP Global Growth:** Sarah C. Ross is primarily responsible for the day-to-day portfolio management of Ivy VIP Global Growth. Ms. Ross has held her Portfolio responsibilities since August 2014. She is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for another investment company for which IICO serves as investment manager. She joined IICO in October 2003 as an investment analyst, with industry responsibilities concentrated in biotechnology, healthcare equipment and supplies, pharmaceuticals, and life sciences tools and services. She became an assistant portfolio manager with the large-capitalization growth equity team in February 2006. Ms. Ross holds a BS degree in Business Administration and a BA degree in French from John M. Olin School of Business, Washington University, St. Louis, Missouri, and also studied Global Finance, French Society, International Marketing and Corporate Law at Ecole Europeene Des Affaires A Paris, Paris, France. She is a Chartered Financial Analyst (CFA) Charterholder and a member of the St. Louis Society of Financial Analysts.

**Ivy VIP Government Money Market:** Mira Stevovich is primarily responsible for the day-to-day portfolio management of Ivy VIP Government Money Market. Ms. Stevovich has held her Portfolio responsibilities since May 1998. She is Vice President of IICO, Vice President and Assistant Treasurer of the Trust, and Vice President and Assistant Treasurer of and portfolio manager for other investment companies for which IICO serves as investment manager. She has been an employee of the company since March 1987. Ms. Stevovich earned a BA degree from Colorado Women's College, and holds an MA degree in Soviet and East European Studies and an MBA degree from the University of Kansas. She is a Chartered Financial Analyst (CFA) Charterholder.

**Ivy VIP Growth:** Bradley M. Klappmeyer is primarily responsible for the day-to-day portfolio management of Ivy VIP Growth. Mr. Klappmeyer has held his Portfolio responsibilities since August 2016. Mr. Klappmeyer is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. He joined the company in June 2007 as an investment analyst and was appointed assistant portfolio manager on the large-capitalization growth team in September 2011. Mr. Klappmeyer graduated from Truman State University in 1999 with a BS in Finance and a minor in Economics. He is a Chartered Financial Analyst (CFA) Charterholder.

**Ivy VIP High Income:** Chad A. Gunther is primarily responsible for the day-to-day portfolio management of Ivy VIP High Income. Mr. Gunther has held his Portfolio responsibilities since July 2014. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. He has been an employee of IICO since January 2003, initially serving as an investment analyst. He has served as assistant portfolio manager for funds managed by IICO since 2008. Mr. Gunther earned a BS in Business Administration with an emphasis in Economics from the University of Kansas, and an MBA with an emphasis in Finance from Washington University/St. Louis Olin Graduate School of Business.

**Ivy VIP International Core Equity:** John C. Maxwell and Catherine L. Murray are primarily responsible for the day-to-day portfolio management of Ivy VIP International Core Equity. Mr. Maxwell has held his Portfolio responsibilities since May 2009. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. He joined the company in 1998 initially serving as an investment analyst and has served as assistant portfolio manager for funds managed by IICO since July 2003 and has served as a portfolio manager since February 2006. In 2004, he began assisting the international group of IICO as an investment analyst. Mr. Maxwell earned a BS degree from the University of Kentucky, and an MBA from the Johnson Graduate School of Management, Cornell University. He is a Chartered Financial Analyst (CFA) Charterholder.

Ms. Murray has held her Portfolio responsibilities since January 2017. She is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for another investment company for which IICO serves as investment manager. She joined the company in 2011 and has served as assistant portfolio manager for other investment companies managed by IICO since 2014. Ms. Murray earned a BA in French and Business Administration (Accounting) from the College of St. Catherine in St. Paul, Minnesota, and holds an MBA with a major in Finance from the Wharton School, University of Pennsylvania.

**Ivy VIP Limited-Term Bond:** Susan K. Regan is primarily responsible for the day-to-day portfolio management of Ivy VIP Limited-Term Bond. Ms. Regan has held her Portfolio responsibilities since August 2014. She also is a co-portfolio manager for Ivy VIP Balanced and Ivy VIP Corporate Bond, and her biographical information is listed above under *The Management of the Portfolios — Portfolio Management — Ivy VIP Balanced*.

**Ivy VIP Mid Cap Growth:** Kimberly A. Scott and Nathan A. Brown are primarily responsible for the day-to-day portfolio management of Ivy VIP Mid Cap Growth. Ms. Scott has held her Portfolio responsibilities since the Portfolio's inception in April 2005. Ms. Scott is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. She has served as a



portfolio manager for investment companies managed by IICO since February 2001. She served as an investment analyst with the company from April 1999 to February 2001. She joined the company in April 1999. Ms. Scott earned a BS degree in Microbiology from the University of Kansas, and holds an MBA from the University of Cincinnati. She is a Chartered Financial Analyst (CFA) Charterholder.

Mr. Brown has held his Portfolio responsibilities since October 2016. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. He joined the company in June 2003 as an investment analyst. He was appointed Assistant Vice President in January 2010, has served as an assistant portfolio manager of investment companies managed by IICO since February 2011 and has served as a co-portfolio manager on another fund managed by IICO since October 2014. Mr. Brown earned a BBA in Finance from the University of Iowa and holds an MBA with an emphasis in Finance and Accounting from Vanderbilt University.

**Ivy VIP Natural Resources:** David P. Ginther and Michael T. Wolverton are primarily responsible for the day-to-day portfolio management of Ivy VIP Natural Resources. Mr. Ginther has held his Portfolio responsibilities since July 2013. He also is the portfolio manager for Ivy VIP Energy, and his biographical information is listed above under *The Management of the Portfolios — Portfolio Management — Ivy VIP Energy*.

Mr. Wolverton has held his Portfolio responsibilities since October 2016. He also is a co-portfolio manager for Ivy VIP Energy, and his biographical information is listed above under *The Management of the Portfolios — Portfolio Management — Ivy VIP Energy*.

**Ivy VIP Science and Technology:** Zachary H. Shafran and Bradley J. Warden are primarily responsible for the day-to-day portfolio management of Ivy VIP Science and Technology. Mr. Shafran has held his Portfolio responsibilities since February 2001. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for another investment company for which IICO serves as investment manager. He has served as a portfolio manager for investment companies managed by IICO (or its affiliates) since January 1996. He served as an investment analyst with the company and its predecessor from June 1990 to January 1996. Mr. Shafran earned a Bachelor of Business Administration and an MBA from the University of Missouri at Kansas City.

Mr. Warden has held his Portfolio responsibilities since October 2016. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for another investment company for which IICO serves as investment manager. He joined the company in 2003 as an investment analyst and became an assistant portfolio manager in 2014. Mr. Warden earned a BS degree in Business Administration from Trinity University and an MBA in Finance from the University of Texas — Austin.

**Ivy VIP Securian Real Estate Securities:** Lowell R. Bolken, Matthew K. Richmond and Joshua M. Klaetsch are primarily responsible for the day-to-day portfolio management of Ivy VIP Securian Real Estate Securities. Messrs. Bolken, Richmond and Klaetsch also are primarily responsible for the day-to-day portfolio management of Ivy Securian Real Estate Securities Fund, which also is managed by IICO.

Mr. Bolken has held his Portfolio responsibilities since April 2006. He has been a Portfolio Manager with Securian AM since September 2005. From April 2001 to September 2005, he was Managing Director and Manager, Corporate Bond Research, Dain Rauscher, Inc.

Mr. Richmond has held his Portfolio responsibilities since January 2014. He has been a Vice President and Portfolio Manager with Securian AM since December 2013. Most recently, Mr. Richmond served as Director of Real Estate Securities Portfolio Management for Principal Real Estate Investors, the dedicated real estate group of Principal Global Investors, a position he held since 2000. He received a BS in Finance from the University of Nebraska and an MBA in Finance from the University of Iowa.

Mr. Klaetsch has held his Portfolio responsibilities since April 2018. He has been an Investment Officer with Securian AM since November 2016 and has been an analyst at Securian AM since joining the firm in June 2008. Mr. Klaetsch received a BA in Economics from Luther College and an MBA in Real Estate Finance from the University of Wisconsin. He is a Chartered Financial Analyst (CFA) Charterholder.

**Ivy VIP Small Cap Core:** Kenneth G. Gau is primarily responsible for the day-to-day portfolio management of Ivy VIP Small Cap Core. Mr. Gau has held his Portfolio responsibilities since August 2014. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for another investment company for which IICO serves as investment manager. He joined the company in June 2000 as an investment analyst and joined the small-capitalization growth team as assistant portfolio manager in March 2006. Mr. Gau graduated from The Pennsylvania State University Smeal College of Business Administration in May 1994 with a BS in Finance and earned an MBA from Cornell University Johnson Graduate School of Management in May 2000.

**Ivy VIP Small Cap Growth:** Kenneth G. McQuade, Timothy J. Miller and Bradley P. Halverson are primarily responsible for the day-to-day portfolio management of Ivy VIP Small Cap Growth. Mr. McQuade has held his Portfolio responsibilities since March 2006. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of

and portfolio manager for another investment company for which IICO serves as investment manager. He joined the company in 1997 as an investment analyst. He was an assistant portfolio manager of separately managed small-capitalization accounts from August 2003 until March 2010. Mr. McQuade earned a BS degree in Finance from Bradley University.

Mr. Miller has held his Portfolio responsibilities since October 2016. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for another investment company for which IICO serves as investment manager. He joined IICO in February 2008 and has served as the portfolio manager for another investment company managed by IICO since March 2008. Previous employment included serving as the primary portfolio manager of the Invesco Dynamics Fund from December 1993 through mid-2004, as the Chief Investment Officer of Invesco Funds Group, Inc. from July 2000 until July 2003, and as the Chief Investment Officer of the Denver Investment Center of Invesco North America from July 2003 until May 2004. Mr. Miller holds a BS degree in Business Administration from St. Louis University and an MBA from the University of Missouri-St. Louis. He is a Chartered Financial Analyst (CFA) Charterholder.

Mr. Halverson has held his Portfolio responsibilities since October 2016. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for another investment company for which IICO serves as investment manager. He joined the company in 2008 as an investment analyst on the small-capitalization growth team. Mr. Halverson earned a BS degree and a MS degree in Accounting from Brigham Young University and an MBA with an emphasis in Finance and Corporate Strategy from the University of Michigan.

**Ivy VIP Value:** Matthew T. Norris is primarily responsible for the day-to-day portfolio management of Ivy VIP Value. Mr. Norris has held his Portfolio responsibilities since July 2003. He is Senior Vice President of IICO, Vice President of the Trust, and Vice President of and portfolio manager for another investment company for which IICO serves as investment manager. From June 2005 until April 2010, he served as Director of Equity Research for IICO. From January 2000 to June 2003, he was a Portfolio Manager for Securian AM. He joined Securian AM in December 1997, first serving as an Analyst and later as a Senior Analyst. Mr. Norris earned a BS degree from the University of Kansas, and an MBA from the University of Nebraska-Omaha. He is a Chartered Financial Analyst (CFA) Charterholder.

**Ivy VIP Pathfinder Aggressive, Ivy VIP Pathfinder Moderately Aggressive, Ivy VIP Pathfinder Moderate, Ivy VIP Pathfinder Moderately Conservative and Ivy VIP Pathfinder Conservative:** F. Chace Brundige, Aaron Young and W. Jeffery Surles are primarily responsible for the day-to-day portfolio management of each of the Pathfinder Portfolios. Mr. Brundige has held his Portfolio responsibilities since June 2016. He also is a co-portfolio manager for Ivy VIP Asset Strategy and each of the Managed Volatility Portfolios, and his biographical information is listed above under *The Management of the Portfolios — Portfolio Management — Ivy VIP Asset Strategy*.

Mr. Young has held his Portfolio responsibilities since October 2016. He is Vice President of IICO, Vice President of the Trust and Vice President of and portfolio manager for other investment companies for which IICO serves as investment manager. He joined IICO in 2005 as a fixed-income analyst with an emphasis in credit research and derivative securities. He joined the Asset Strategy team as an investment analyst in 2007. He has served as an assistant portfolio manager of another investment company managed by IICO since 2012. Mr. Young earned a BA in Philosophy from the University of Missouri and holds an MBA with an emphasis in Finance and Strategy from the Olin School of Business at Washington University.

Mr. Surles has held his Portfolio responsibilities since February 2018. He also is a co-portfolio manager for Ivy VIP Asset Strategy and each of the Managed Volatility Portfolios, and his biographical information is listed above under *The Management of the Portfolios — Portfolio Management — Ivy VIP Asset Strategy*.

**Ivy VIP Pathfinder Moderate — Managed Volatility, Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility and Ivy VIP Pathfinder Moderately Conservative — Managed Volatility:** F. Chace Brundige, Aaron Young and W. Jeffery Surles are primarily responsible for the day-to-day portfolio management of each of the Managed Volatility Portfolios. Merlin Erickson, Jeremy Gogos and Craig M. Stapleton are primarily responsible for the day-to-day portfolio management of the volatility management strategy for each of the Managed Volatility Portfolios.

Mr. Brundige has held his Portfolio responsibilities since June 2016. He also is a co-portfolio manager for Ivy VIP Asset Strategy and each of the Pathfinder Portfolios, and his biographical information is listed above under *The Management of the Portfolios — Portfolio Management — Ivy VIP Asset Strategy*.

Mr. Young has held his Portfolio responsibilities since October 2016. He also is a co-portfolio manager for each of the Pathfinder Portfolios, and his biographical information is listed above under *The Management of the Portfolios — Portfolio Management — Ivy VIP Pathfinder Aggressive, Ivy VIP Pathfinder Moderately Aggressive, Ivy VIP Pathfinder Moderate, Ivy VIP Pathfinder Moderately Conservative and Ivy VIP Pathfinder Conservative*.

Mr. Surles has held his Portfolio responsibilities since February 2018. He also is a co-portfolio manager for Ivy VIP Asset Strategy and each of the Pathfinder Portfolios, and his biographical information is listed above under *The Management of the Portfolios — Portfolio Management — Ivy VIP Asset Strategy*.

Mr. Erickson has held his responsibilities for the Managed Volatility Portfolios since December 2017. He has served as Vice President and Portfolio Manager of Securian AM since December 2017, and formerly served as Vice President and Senior Quantitative Analyst of Securian AM since November 2007. Mr. Erickson earned an MBA in Finance from Seattle University and a BS in Mathematics from Central Washington University.

Dr. Gogos has held his Portfolio responsibilities since December 2017. He has served as Portfolio Manager of Securian AM since December 2017, and formerly served as Associate Portfolio Manager of Securian AM since June 2017 and Quantitative Research Analyst from May 2013 to June 2017. Dr. Gogos earned his PhD in Physics from the University of Minnesota and a BS in Physics from the Worcester Polytechnic Institute. He is a Chartered Financial Analyst (CFA) Charterholder.

Mr. Stapleton has held his Portfolio responsibilities since July 2013. He has served as Vice President and Portfolio Manager of Securian AM since December 2012, and formerly served as Portfolio Manager of Securian AM from June 2012 to November 2012, Associate Portfolio Manager from 2010 to May 2012 and Quantitative Research Analyst from 2005 to 2010. Mr. Stapleton earned an MBA in Finance from the University of Illinois and a BS in Computer Engineering from the University of Illinois.

Additional information regarding the portfolio managers, including information about the portfolio managers' compensation, other accounts managed by the portfolio managers and the portfolio managers' ownership of Portfolio securities, is included in the SAI.

Other members of IICO's and the subadviser's investment management departments provide input on market outlook, economic conditions, investment research and other considerations relating to the Portfolios' investments.

## Management and Other Fees

Like all mutual funds, the Portfolios pay fees related to their daily operations. Expenses paid out of each Portfolio's assets are reflected in its share price or dividends; they are neither billed directly to shareholders nor deducted from shareholder accounts.

Each Portfolio (other than the Pathfinder Portfolios) pays a management fee to IICO for providing investment advice and supervising its investments. Prior to September 30, 2016, each Portfolio (other than the Pathfinder Portfolios) paid the same management fee to WRIMCO. No management fees are charged by IICO (or were charged by WRIMCO) for managing the investments of the Pathfinder Portfolios. Each Portfolio also pays other expenses, which are explained in the SAI.

The management fee is payable to IICO at the annual rates of:

**Ivy VIP Asset Strategy, Ivy VIP Balanced, Ivy VIP Core Equity, Ivy VIP Global Equity Income, Ivy VIP Growth and Ivy VIP Value:** 0.70% of net assets up to \$1 billion; 0.65% of net assets over \$1 billion and up to \$2 billion; 0.60% of net assets over \$2 billion and up to \$3 billion; and 0.55% of net assets over \$3 billion.

**Ivy VIP Corporate Bond:** 0.475% of net assets up to \$1 billion; 0.45% of net assets over \$1 billion and up to \$1.5 billion; and 0.40% of net assets over \$1.5 billion.

**Ivy VIP Energy, Ivy VIP Global Growth, Ivy VIP International Core Equity, Ivy VIP Mid Cap Growth, Ivy VIP Science and Technology, Ivy VIP Small Cap Core and Ivy VIP Small Cap Growth:** 0.85% of net assets 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.

**Ivy VIP Limited-Term Bond:** 0.50% of net assets up to \$500 million; 0.45% of net assets over \$500 million and up to \$1 billion; 0.40% of net assets over \$1 billion and up to \$1.5 billion; and 0.35% of net assets over \$1.5 billion.

**Ivy VIP Global Bond and Ivy VIP High Income:** 0.625% of net assets up to \$500 million; 0.60% of net assets over \$500 million and up to \$1 billion; 0.55% of net assets over \$1 billion and up to \$1.5 billion; and 0.50% of net assets over \$1.5 billion.

**Ivy VIP Government Money Market:** 0.35% of net assets up to \$1 billion; and 0.30% of net assets over \$1 billion. Prior to April 28, 2017, Ivy VIP Government Money Market paid a management fee payable at the annual rate of 0.40% on all net assets.

**Ivy VIP Natural Resources:** 0.85% of net assets 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; 0.76% of net assets over \$3 billion and up to \$5 billion; 0.73% of net assets over \$5 billion and up to \$10 billion; and 0.70% of net assets over \$10 billion.

**Ivy VIP Securian Real Estate Securities:** 0.90% of net assets up to \$1 billion; 0.87% of net assets over \$1 billion and up to \$2 billion; 0.84% of net assets over \$2 billion and up to \$3 billion; and 0.80% of net assets over \$3 billion.

**Ivy VIP Pathfinder Moderate — Managed Volatility, Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility and Ivy VIP Pathfinder Moderately Conservative — Managed Volatility:** 0.20% of net assets up to \$500 million; 0.17% of net assets over \$500 million and up to \$1 billion; and 0.15% of net assets over \$1 billion.

Except for the Managed Volatility Portfolios, IICO uses a portion of the management fees it receives from a Portfolio to pay that Portfolio's investment subadviser, as applicable. For the Managed Volatility Portfolios, IICO uses all of the management fee it receives from a Managed Volatility Portfolio to pay Securian AM. Accordingly, Securian AM receives a fee based on the total assets of a Managed Volatility Portfolio.

■ For the fiscal year ended December 31, 2020, management fees (net of waivers) for each Portfolio as a percent of each such Portfolio's average net assets are as follows:

|   | Net Management Fees Paid  |
|---|---------------------------|
| Ivy VIP Asset Strategy  | 0.70%                     |
| Ivy VIP Balanced  | 0.70%                     |
| Ivy VIP Core Equity   | 0.70%                     |
| ■ Ivy VIP Corporate Bond  | <u>0.48%</u>              |
| ■ Ivy VIP Energy  | <u>0.79%</u> <sup>1</sup> |
| Ivy VIP Global Bond   | 0.00% <sup>1</sup>        |
| Ivy VIP Global Equity Income                                    | 0.70%                     |
| Ivy VIP Global Growth   | 0.85%                     |
| ■ Ivy VIP Government Money Market                               | <u>0.18%</u>              |
| Ivy VIP Growth  | 0.70%                     |
| ■ Ivy VIP High Income   | <u>0.62%</u>              |
| Ivy VIP International Core Equity                               | 0.85%                     |
| Ivy VIP Limited-Term Bond                                       | 0.50%                     |
| Ivy VIP Mid Cap Growth  | 0.80%                     |
| Ivy VIP Natural Resources                                       | 0.85%                     |
| Ivy VIP Pathfinder Moderate — Managed Volatility                | 0.19%                     |
| Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility   | 0.20%                     |
| Ivy VIP Pathfinder Moderately Conservative — Managed Volatility | 0.20%                     |
| Ivy VIP Science and Technology                                  | 0.85%                     |
| Ivy VIP Securian Real Estate Securities                         | 0.81%                     |
| Ivy VIP Small Cap Core  | 0.85%                     |
| ■ Ivy VIP Small Cap Growth                                      | <u>0.82%</u>              |
| Ivy VIP Value   | 0.70%                     |

<sup>1</sup> For Portfolios managed solely by IICO, IICO has voluntarily agreed to waive its management fee for any day that a portfolio's net assets are less than \$25 million, subject to IICO's right to change or modify this waiver.

A discussion regarding the basis of the approval by the Board of the renewal of the advisory contract of each of the ■ Portfolios is available in the Trust's Annual Report to Shareholders for the period ended December 31, 2020.

## Multiple Class Information and Service Plan Arrangements

The Trust offers two classes of shares: Class I and Class II. Each Portfolio offers Class II shares. In addition, Ivy VIP Asset Strategy, Ivy VIP Energy, Ivy VIP High Income, Ivy VIP Mid Cap Growth, Ivy VIP Science and Technology and Ivy VIP Small Cap Growth also offer Class I shares. The different classes of shares represent investments in the same portfolio of securities, but the classes are subject to different expenses and usually will have different share prices. Class II shares are subject to a service plan that is described below. Class I shares are not subject to a service plan and may be purchased only through fund of funds, advisory or trust accounts, wrap accounts or other asset allocation or fee-based investment arrangements. Different fees and expenses will affect performance.

Except as described below, all classes of shares of the Portfolios have identical voting, dividend, liquidation and other rights, preferences, terms and conditions. The only differences between the classes are (a) each class may be subject to different expenses specific to that class; (b) each class has a different identifying designation or name; and (c) each class has exclusive voting rights with respect to matters solely affecting that class.

## Rule 12b-1 Service Plan

Class II shares of the Trust have adopted a Service Plan (Plan) pursuant to Rule 12b-1 under the 1940 Act. Under the Plan, Class II shares of each Portfolio (other than Ivy VIP Government Money Market, the Pathfinder Portfolios and the Managed Volatility Portfolios) may pay daily a fee to Ivy Distributors, Inc. (IDI), an affiliate of IICO and the Trust's principal underwriter, in an amount not to exceed 0.25% of the Class II shares' average annual net assets. The fee is to be paid to compensate IDI and unaffiliated third parties for amounts expended in connection with the provision of personal services to Class II Policyowners. These fees are paid out of the Class II shares' assets on an on-going basis, and over time, these fees will increase the cost of the investment and may cost you more than paying other types of sales charges.



# Buying and Selling Portfolio Shares

## Who Can Buy Shares of the Portfolios

Shares of the Portfolios currently are sold only to the separate accounts of PICs (Variable Accounts) to fund benefits payable under the Policies under the Trust's "Mixed and Shared" Exemptive Order (the Exemptive Order). Permitting both variable life insurance separate accounts and variable annuity separate accounts to invest in the same Portfolio is known as "mixed funding." Shares of the Portfolios are not sold to individual investors.

The Variable Accounts purchase shares of a Portfolio in accordance with Variable Account allocation instructions received from Policyowners. A Portfolio then uses the proceeds to buy securities for its investment portfolio.

Because Policies may have different provisions with respect to the timing and method of purchases and exchanges, Policyowners should contact their PIC directly for details concerning these transactions.

Please check with your PIC to determine if a Portfolio is available under your Policy. This Prospectus should be read in conjunction with the prospectus of the Variable Account of your specific Policy.

The Portfolios currently do not foresee any disadvantages to Policyowners arising out of the fact that the Portfolios may offer their shares to the Variable Accounts to fund benefits of their Policies. Nevertheless, as a condition of the Exemptive Order, the Board will monitor events in order to identify any material irreconcilable conflicts that may arise (such as those arising from tax or other differences) and to determine what action, if any, should be taken in response to such conflicts. If such a conflict were to occur, one or more Variable Accounts might be required to withdraw their investments in one or more of the Portfolios and shares of another fund may be substituted. This might force a Portfolio to sell its securities at disadvantageous prices.

The principal underwriter of the Portfolios is IDI.

## Purchase Price

The purchase price of a share (the price to buy one share of a particular class of a Portfolio) is its NAV next determined per share of that class after the order is received in good order by the Portfolio or its agent. No sales charge is imposed on the purchase of a Portfolio's shares; however, your Policy may impose a sales charge. The NAV for a share of a Portfolio is determined by dividing the total market value of the securities and other assets of a Portfolio, less the liabilities of the Portfolio, by the total number of outstanding shares of the Portfolio. In general, NAV is determined at the close of regular trading on the New York Stock Exchange (NYSE), normally 4 p.m. Eastern Time, on each day the NYSE is open for trading. Each Portfolio may reject any order to buy shares and may suspend the sale of shares at any time.

## Net Asset Value

In the calculation of a Portfolio's NAV:

- Securities traded on an exchange held by a Portfolio ordinarily are valued by an independent pricing service at their closing price as reported by the principal securities exchange on which the securities are traded.
- If a price from the primary independent pricing service is not available, a price will be obtained from another independent pricing service. In the event a price is not available from an independent pricing service, a price will be sought from an exchange.
- Fixed-income securities, including bonds, foreign bonds, convertible bonds, municipal bonds, U.S. government securities, mortgage-backed securities and swap agreements ordinarily are valued according to prices quoted by an independent pricing service.
- Precious metals are valued at the last traded spot price for the appropriate metal immediately prior to the time of valuation.
- Other investment assets for which market prices are unavailable or are not reflective of current market value are valued at their fair value by or at the direction of the Board, as discussed below.

In the calculation of the NAV of a Pathfinder Portfolio, the shares of the Underlying Funds held by the Pathfinder Portfolio are valued at their respective NAV per share. In the calculation of the NAV of a Managed Volatility Portfolio, the shares of the Underlying Funds held by the Managed Volatility Portfolio are valued at their respective NAV per share and the other assets of the Managed Volatility Portfolio are valued in the same manner as they would be if held by an Underlying Fund.

The NAV per share of each Portfolio normally is computed daily as of the close of business of the New York Stock Exchange (NYSE), normally 4 p.m. Eastern Time, except that an option or futures contract held by a Portfolio may be priced at the close of the regular session of any other securities or commodities exchange on which that instrument is traded. Ivy VIP Government Money Market uses the amortized cost method for valuing its portfolio securities. You will find more information in the SAI about this method.

As noted in this Prospectus, certain of the Portfolios may invest in securities listed on foreign exchanges, or otherwise traded in a foreign market, which may trade on Saturdays or on U.S. national business holidays when the NYSE is closed. Consequently, the NAV of a Portfolio's shares may be significantly affected on days when the Portfolio does not price its shares and when you are not able to purchase or redeem the Portfolio's shares.

When a Portfolio believes a reported market price for a security does not reflect the amount the Portfolio would receive on a current sale of that security, the Portfolio may substitute for the market price a fair-value determination made according to procedures approved by the Board. A Portfolio also may use these procedures to value certain types of illiquid securities. In addition, fair value pricing generally will be used by a Portfolio if the exchange on which a portfolio security is traded closes early or if trading in a particular security is halted during the day and does not resume prior to the time the Portfolio's NAV is calculated.

A Portfolio also may use these methods to value securities that trade in a foreign market if a significant event that appears likely to materially affect the value of foreign investments or foreign currency exchange rates occurs between the time that foreign market closes and the time the NYSE closes. Some Portfolios, which may invest a significant portion of their assets in foreign securities (and in derivatives related to foreign securities), also may be susceptible to a time zone arbitrage strategy in which shareholders attempt to take advantage of portfolio share prices that may not reflect developments in foreign securities markets or derivatives that occurred after the close of such market but prior to the pricing of Portfolio shares. In that case, such securities investments may be valued at their fair values as determined according to the procedures approved by the Board. Significant events include, but are not limited to, (1) events impacting a single issuer, (2) governmental actions that affect securities in one sector, country or region, (3) natural disasters or armed conflicts affecting a country or region, and (4) significant U.S. or foreign market fluctuations.

The Portfolios have retained certain third-party pricing services (together, the Service) to assist in fair valuing foreign securities and other foreign investments (collectively, Foreign Securities), if any, held by the Portfolios. The Service conducts a screening process to indicate the degree of confidence, based on historical data, that the closing price in the principal market where a Foreign Security trades is not the current market value as of the close of the NYSE. For Foreign Securities where Waddell & Reed Services Company, each Portfolio's transfer agent, doing business as WI Services Company (WISC), in accordance with guidelines adopted by the Board, believes, at the approved degree of confidence, that the price is not reflective of current market price, WISC may use the indication of fair value from the Service to determine the fair value of the Foreign Securities. The Service, the methodology or the degree of certainty may change from time to time. The Board regularly reviews, and WISC regularly monitors and reports to the Board, the Service's pricing of the Portfolio's Foreign Securities, as applicable.

Fair valuation has the effect of updating security prices to reflect market value based on, among other things, the recognition of a significant event — thus potentially alleviating arbitrage opportunities with respect to Portfolio shares. Another effect of fair valuation on a Portfolio is that the Portfolio's NAV will be subject, in part, to the judgment of the Board or its designee instead of being determined directly by market prices. When fair value pricing is applied, the prices of securities used by a Portfolio to calculate its NAV may differ from quoted or published prices for the same securities, and therefore, a Policyowner purchasing or redeeming shares on a particular day might pay or receive more or less than would be the case if a security were valued differently. The use of fair value pricing also may affect all shareholders in that if redemption proceeds or other payments based on the valuation of Portfolio assets were paid out differently due to fair value pricing, all Policyowners will be impacted incrementally. There is no assurance, however, that fair value pricing will more accurately reflect the value of a security on a particular day than the market price of such security on that day or that it will prevent or alleviate the impact of market timing activities. For a description of market timing activities, please see *Market Timing Policy*.

## **Selling Shares**

Shares of a class of the Portfolios may be sold (redeemed) at any time, subject to certain restrictions described below. The redemption price (the price to sell one share of a particular class of a Portfolio) is the NAV per share of that Portfolio class next determined after the order is received in good order by the Portfolio or its agent. The value of the shares redeemed may be more or less than their original purchase price depending upon the market value of a Portfolio's investments at the time of the redemption.

Because Policies may have different provisions with respect to the timing and method of redemptions, Policyowners should contact their PIC directly for details concerning these transactions.

Redemptions are made at the NAV per share of the Portfolio next determined after receipt of the request to redeem from the PIC. Payment generally is made within seven days after receipt of a proper request to redeem. No fee is charged to any PIC upon redemption of Portfolio shares. The Trust may suspend the right of redemption of shares of any Portfolio and may postpone payment for any period if any of the following conditions exist:

- the NYSE is closed other than weekends or holidays, when trading on the NYSE is restricted
- the SEC has determined that a state of emergency exists which may make payment or transfer not reasonably practicable
- the SEC has permitted suspension of the right of redemption of shares for the protection of the security holders of the Trust
- applicable laws and regulations otherwise permit the Trust to suspend payment on the redemption of shares

In addition, Ivy VIP Government Money Market may suspend redemptions during any period in which there are emergency conditions, including circumstances when the Board has determined it is appropriate to liquidate Ivy VIP Government Money Market, as provided in the 1940 Act and the rules and regulations thereunder.

Redemptions ordinarily are made in cash.

Except as otherwise noted, and via the PICs, a Policyowner may indirectly sell a class of shares and buy the same class of shares of another Portfolio within the Trust, also known as a transfer or an exchange privilege.

## Market Timing Policy

The Portfolios are intended for long-term investment purposes. The Trust and/or the PICs will take steps to seek to deter frequent purchases and/or redemptions in Portfolio shares (market timing activities). Market timing activities, especially those involving large dollar amounts, may disrupt Portfolio investment management and may increase expenses and negatively impact investment returns for all Portfolio shareholders, including long-term shareholders. Market timing activities also may increase the expenses of WISC and/or IDI, thereby indirectly affecting the Portfolio's shareholders.

■ Certain Portfolios may be more attractive to investors seeking to engage in market timing activities. For example, to the extent that a Portfolio invests a significant portion of its assets in foreign securities, the Portfolio may be susceptible to a time zone arbitrage strategy in which investors seek to take advantage of Portfolio share prices that may not reflect developments in foreign securities markets that occurred after the close of such market but prior to the pricing of Portfolio shares. The Portfolios may fair value securities pursuant to the Portfolios' Valuation Procedures; however, there can be no assurance that the Portfolios' process to fair value securities will be able to eliminate the arbitrage opportunity in Portfolios that hold foreign securities.

In addition, a Portfolio that invests in securities that are, among other things, thinly traded or traded infrequently is susceptible to the risk that the current market price for such securities may not accurately reflect current market values. An investor may seek to engage in short-term trading to take advantage of these pricing differences (commonly referred to as price arbitrage). Price arbitrage is more likely to occur in a Portfolio that invests a significant portion of its assets in small-capitalization companies, municipal obligations, or that invests a significant portion of its assets in high-yield fixed-income securities.

To discourage market timing activities by investors, the Board has adopted a market timing policy and has approved the procedures of WISC for implementing this policy. WISC's procedures reflect the criteria that it has developed for purposes of identifying trading activity in Portfolio shares that may be indicative of market timing activities and outline how WISC will monitor transactions in Portfolio shares. In its monitoring of trading activity in Portfolio shares, on a periodic basis, WISC typically reviews Portfolio share transactions that exceed certain monetary thresholds and/or numerical transaction limits within a particular time period.

WISC will follow, monitor and enforce excessive trading policies and procedures. Below is an example of trading activity that would be considered excessive and in violation of the Portfolios' market timing policy:

*WISC will monitor the number of roundtrip transactions in Portfolio shares. Any Policyowner that has more than two transactions that are considered a change in direction relative to a Portfolio within a time period determined by WISC may be restricted from making additional purchases of Portfolio shares. A change in direction is defined as any exchange or sale out of a Portfolio and a second change in direction is an exchange or purchase back into that Portfolio. Policyowners who reach this limit may be blocked from making additional purchases for 60 days.*

■ *At WISC's discretion, such shareholder may also be blocked permanently.*

This example is not all-inclusive of the trading activity that may be deemed to violate the Portfolios' market timing policy and any trade that is determined as disruptive can lead to a temporary or permanent suspension of trading privileges, in WISC's sole discretion.

In its attempt to identify market timing activities, WISC considers many factors, including (but not limited to) the example detailed above, and the frequency, size and/or timing of the investor's transactions in Portfolio shares.

As an additional step, WISC reviews Portfolio redemption and purchase activity within various time frames for potentially harmful trading activity. If WISC identifies what it believes are market timing activities, WISC and/or IDI will coordinate with the applicable PIC so that it may notify the investors involved, reject or restrict a purchase or exchange order and/or prohibit those investors from making further purchases allocated to Portfolio shares. The Portfolios also may restrict their exchange privileges in order to protect Policyowners. Transactions placed in violation of the Portfolios' market timing policy are not deemed accepted by the applicable Portfolio and may be cancelled or revoked by the Portfolio on the next business day following receipt by the Portfolio.

Due to the complexity and subjectivity involved in identifying market timing activities and the volume of shareholder transactions that WISC processes, there can be no assurance that the Portfolios' and WISC's policies and procedures will identify all trades or trading practices that may be considered market timing activity. WISC may modify its procedures for implementing the Portfolios' market timing policy and/or its monitoring criteria at any time without prior notice. The Portfolios, WISC and/or IDI shall not be liable for any loss resulting from rejected purchase orders or exchanges.

A Portfolio seeks to apply its market timing policy uniformly to all shareholders and prospective investors. Although the Portfolios, IDI and WISC make efforts to monitor for market timing activities and will seek the assistance of the PICs through which Portfolio shares are purchased or held, the Portfolios cannot always identify or detect excessive trading that may be facilitated by a PIC or made difficult to identify by the use of omnibus accounts by the PICs, mainly due to the fact that the PICs maintain the underlying Policyowner account, and the Portfolio must analyze omnibus account level activity and then request additional shareholder level activity on the underlying investors where omnibus account level activity warrants further review. Accordingly, there can be no assurance that the Portfolios will be able to eliminate all market timing activities.

Apart from actions taken by a Portfolio, Policyowners also may be subject to restrictions imposed under their Policies with respect to short-term trading and the trading restrictions imposed by the PICs that maintain the underlying account(s).

A Portfolio's market timing policy, in conjunction with the use of fair value pricing, is intended to reduce a Policyowner's ability to engage in market timing activities, although there can be no assurance that a Portfolio will eliminate market timing activities.

## **Additional Compensation to Intermediaries**

IDI and/or its affiliates (collectively, Ivy) may make payments for marketing, promotional or related services by:

- PICs for whose Policies the Portfolios are underlying investment options; or
- broker-dealers and other financial intermediaries that sell Policies that include the Portfolios as underlying investment options.

These payments often are referred to as "revenue sharing payments." The level of such payments may be based on factors that include, without limitation, differing levels or types of services provided by the insurance company, broker-dealer or other financial intermediary, the expected level of assets or sales of shares, the placing of some or all of the Portfolios on a recommended or preferred list, access to an intermediary's personnel and other factors. Revenue sharing payments are paid from Ivy's own profits and may be in addition to any Rule 12b-1 payments, if applicable, that are paid by the Portfolios. Because revenue sharing payments are paid by Ivy, and not from the Portfolios' assets, the amount of any revenue sharing payments is determined by Ivy.

In addition to the revenue sharing payments described above, Ivy may offer other incentives to sell Policies for which the Portfolios are investment options in the form of sponsorship of educational or other client seminars relating to current products and issues, assistance in training or educating an intermediary's personnel, gifts and/or entertainment or meals.

The recipients of such incentives may include:

- financial advisors and other registered and unregistered persons affiliated with Ivy;
- broker-dealers and other financial intermediaries that sell such Policies; and
- insurance companies that include shares of the Portfolios as underlying investment options.

Payments may be based on current or past sales of Policies investing in shares of the Portfolios, current or historical assets, or a flat fee for specific services provided. In some circumstances, such payments may create an incentive for a PIC or intermediary or their employees or associated persons to recommend a particular Policy for which the Portfolios are underlying investment options instead of recommending options offered by competing insurance companies.

In addition, Ivy may compensate PICs for administrative and shareholder services provided to Policyowners.



Notwithstanding the additional compensation described above, IICO and all subadvisers to the Portfolios are prohibited from considering a broker-dealer's sale of any of the Portfolios' shares, or the inclusion of the Portfolios in a Policy provided by an insurance affiliate of the broker-dealer, in selecting such broker-dealer for execution of Portfolio transactions.

Portfolio transactions nevertheless may be executed with broker-dealers who coincidentally may have assisted customers in the purchase of Policies for which the Portfolios' are underlying investment options, issued by PICs, although neither such assistance nor the volume of shares sold of the Portfolios or any affiliated investment company is a qualifying or disqualifying factor in IICO's or a subadviser's selection of such broker-dealer for portfolio transaction execution.

The PIC that provides your Policy also may provide similar compensation to broker-dealers and other financial intermediaries in order to promote the sale of such Policies. Contact your insurance provider and/or financial intermediary for details about revenue sharing payments it may pay or receive.

## Potential Conflicts of Interest

The Distributor of the Portfolios, IDI, is a corporate affiliate of Waddell & Reed. The Portfolios are included as investment options in Policies offered by Waddell & Reed. The following paragraphs disclose certain potential conflicts of interest in connection with the offering of the Policies by Waddell & Reed.

■ A portion of mutual fund shares sold by Waddell & Reed financial advisors are from the Portfolios. IICO manages the assets of the Portfolios and earns investment advisory fees for providing these investment management services. These fees are assessed daily on the net assets held by the Portfolios and are paid to IICO out of Portfolio assets. IDI and/or Waddell & Reed serve as the principal underwriter and distributor of various mutual funds (Fund Families). Companies affiliated with Waddell & Reed (Service Affiliates) also serve as shareholder servicing agent and accounting services agent for the Portfolios and the funds in the Fund Families and as custodian for certain retirement plan accounts available through Waddell & Reed. The Service Affiliates receive fees for the services they provide to the Portfolios and/or owners of the Policies. Waddell & Reed, IDI, IICO and the Service Affiliates are subsidiaries of Waddell & Reed Financial, Inc.

■ Waddell & Reed financial advisors are not required to sell only shares of the funds in the Fund Families, have no sales quotas with respect to the Portfolios or Policies, and receive the same percentage rate of compensation for all shares of mutual funds and variable insurance policies they sell, including shares of the funds in the Fund Families and the Policies.

Increased sales of shares of the Portfolios and the funds in the Fund Families generally result in greater revenues, and greater profits, to Waddell & Reed, IDI, IICO and the Service Affiliates, since payments to Waddell & Reed, IDI, IICO and the Service Affiliates increase as more assets are invested in the Portfolios and the funds in the Fund Families and/or more fund accounts are established. Waddell & Reed employee compensation (including management) and operating goals at all levels are tied to Waddell & Reed's overall profitability. At times, this may result in more training and product support for Waddell & Reed financial advisors to assist them with sales of shares of the Portfolios and the funds in the Fund Families, which may influence the Waddell & Reed financial advisor's decision to recommend the Portfolios and the funds in the Fund Families.

## Portability

Certain of the Policies in which the Portfolios are available as investment options (e.g., Policies issued by Nationwide and Minnesota Life) are available for sale only through Waddell & Reed financial advisors. Waddell & Reed financial advisors have no sales quotas with respect to these Policies and may offer and sell other mutual funds and variable insurance policies. The Policies may be sold only by Waddell & Reed financial advisors and the Policies generally may be assigned only by the PICs for servicing only to a broker-dealer or other financial intermediary ("Financial Intermediary") if the Financial Intermediary has entered into a servicing agreement with the PICs that permits the Financial Intermediary to be assigned as agent-of-record and service the Policies. Therefore, if you elect to purchase a Policy that is only available through your Waddell & Reed financial advisor, you should consider that you may need to liquidate the Policy, which may cause adverse tax consequences, if you later decide to transfer your investment to another Financial Intermediary in the event your financial advisor leaves Waddell & Reed or for other reasons and the Financial Intermediary is not a party to a servicing agreement with the applicable PIC permitting your Policy to be serviced by the Financial Intermediary. The ability of such Financial Intermediary to continue to service your Policy is subject to the continued effectiveness of the Financial Intermediary's servicing agreement, which may be terminated without notice to you.



# Distributions and Taxes

## Distributions

Each Portfolio distributes substantially all of its net investment income and net realized capital gains to its shareholders (the Variable Accounts) each year. Usually, a Portfolio distributes net investment income at the following times:

### **Declared daily and paid monthly:**

Net investment income from Ivy VIP Government Money Market.

### **Declared and paid annually in May:**

Net investment income from all other Portfolios and net realized long-term and/or short-term capital gains from all Portfolios.

Dividends that are declared by Ivy VIP Government Money Market for a particular day are paid to its shareholders of record at the close of business on the preceding business day. However, dividends that are declared by Ivy VIP Government Money Market for a Saturday or Sunday (or for a Monday that is a federal holiday) are paid to its shareholders of record on the preceding Thursday (or the preceding business day if that Thursday is a federal holiday). Ordinarily, shares of Ivy VIP Government Money Market are eligible to earn dividends starting on the day after they are issued and through the day they are redeemed. Dividends are paid by each Portfolio in additional full and fractional shares of the Portfolio.

All distributions from net realized capital gains, if any, of a class of shares of a Portfolio, are paid in additional full and fractional shares of that class.

## Taxes

Each Portfolio is treated as a separate corporation, and intends to continue to qualify to be treated as a RIC, for federal tax purposes. A Portfolio will be so treated if it meets specified federal income tax rules, including requirements regarding types of investments, limits on investments, types of income and distributions. A Portfolio that satisfies those requirements is not taxed at the entity level on the net income and net realized gains it distributes to its shareholders.

It is important for each Portfolio to maintain its RIC status (and to satisfy certain other requirements), because the Portfolio shareholders, which are Variable Accounts, will then be able to use a “look-through” rule in determining whether the Variable Accounts meet the investment diversification federal tax rules that apply to them. If a Portfolio failed to meet those rules, owners of Policies indirectly funded through the Portfolio would be taxed immediately on the accumulated investment earnings under their Policies and would lose any benefit of tax deferral. Accordingly, WISC monitors each Portfolio’s compliance with the applicable RIC qualification and Variable Account diversification rules.

You will find additional information in the SAI about federal income tax considerations generally affecting the Portfolios. Because the only shareholders of the Portfolios are the Variable Accounts, no further discussion is included here as to the federal income tax consequences to the Portfolios’ shareholders. For information concerning the federal tax consequences to Policyowners, see the applicable prospectus for your Policy. Prospective investors are urged to consult with their tax advisors.

# Financial Highlights

The following information is to help you understand the financial performance of each of the classes of each Portfolio for the fiscal periods shown. Certain information reflects financial results for a single Portfolio share. *Total Return* shows how much your investment would have increased (or decreased) during each period, assuming reinvestment of all dividends and other distributions. This information has been audited by Deloitte & Touche LLP, the Portfolios' Independent Registered Public Accounting Firm for its most recent fiscal year, whose Report of Independent Registered Public Accounting Firm, along with each Portfolio's financial statements and financial highlights for the fiscal year ended December 31, 2020, is included in the Portfolios' Annual Report to Shareholders, which are incorporated by reference into the SAI. The Annual Report contains additional performance information and will be made available upon request and without charge. The Board has selected PricewaterhouseCoopers LLP, located at 2001 Market Street, Philadelphia, PA 19103, to serve as the current Independent Registered Public Accounting Firm for the Portfolios.

|                                      | Net Asset Value, Beginning of Period | Net Investment Income (Loss) <sup>(1)</sup> | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--------------------------------------|--------------------------------------|---|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Asset Strategy</b>                |                                      |   |  |                                  |  |                                       |                     |
| <b>Class I Shares</b>                |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                | \$ 9.50                              | \$ 0.17                                     | \$ 1.16  | \$ 1.33                          | \$(0.22)                                 | \$(0.16)                              | \$(0.38)            |
| Year ended 12-31-2019                | 8.29                                 | 0.20  | 1.63   | 1.83                             | (0.23)                                   | (0.39)                                | (0.62)              |
| Year ended 12-31-2018                | 9.37                                 | 0.18  | (0.67)   | (0.49)                           | (0.20)                                   | (0.39)                                | (0.59)              |
| Year ended 12-31-2017 <sup>(4)</sup> | 8.57                                 | 0.08  | 0.88   | 0.96                             | (0.16)                                   | —                                     | (0.16)              |
| <b>Class II Shares</b>               |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                | 9.50                                 | 0.15  | 1.15   | 1.30                             | (0.20)                                   | (0.16)                                | (0.36)              |
| Year ended 12-31-2019                | 8.29                                 | 0.18  | 1.62   | 1.80                             | (0.20)                                   | (0.39)                                | (0.59)              |
| Year ended 12-31-2018                | 9.37                                 | 0.16  | (0.67)   | (0.51)                           | (0.18)                                   | (0.39)                                | (0.57)              |
| Year ended 12-31-2017                | 8.04                                 | 0.03  | 1.44   | 1.47                             | (0.14)                                   | —                                     | (0.14)              |
| Year ended 12-31-2016                | 8.30                                 | 0.06  | (0.27)   | (0.21)                           | (0.05)                                   | —                                     | (0.05)              |
| <b>Balanced</b>                      |                                      |   |  |                                  |  |                                       |                     |
| <b>Class II Shares</b>               |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                | 8.22                                 | 0.09  | 0.94   | 1.03                             | (0.11)                                   | (0.43)                                | (0.54)              |
| Year ended 12-31-2019                | 7.46                                 | 0.11  | 1.44   | 1.55                             | (0.14)                                   | (0.65)                                | (0.79)              |
| Year ended 12-31-2018                | 7.95                                 | 0.12  | (0.36)   | (0.24)                           | (0.13)                                   | (0.12)                                | (0.25)              |
| Year ended 12-31-2017                | 7.47                                 | 0.12  | 0.70   | 0.82                             | (0.12)                                   | (0.22)                                | (0.34)              |
| Year ended 12-31-2016                | 8.76                                 | 0.11  | 0.00*  | 0.11                             | (0.12)                                   | (1.28)                                | (1.40)              |
| <b>Energy</b>                        |                                      |   |  |                                  |  |                                       |                     |
| <b>Class I Shares</b>                |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                | 4.02                                 | 0.04  | (1.52)   | (1.48)                           | (0.06)                                   | —                                     | (0.06)              |
| Year ended 12-31-2019                | 3.88                                 | 0.03  | 0.11   | 0.14                             | —  | —                                     | —                   |
| Year ended 12-31-2018                | 5.87                                 | 0.00*                                       | (1.99)   | (1.99)                           | —  | —                                     | —                   |
| Year ended 12-31-2017 <sup>(4)</sup> | 5.84                                 | 0.06  | 0.02   | 0.08                             | (0.05)                                   | —                                     | (0.05)              |
| <b>Class II Shares</b>               |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                | 4.00                                 | 0.04  | (1.52)   | (1.48)                           | (0.04)                                   | —                                     | (0.04)              |
| Year ended 12-31-2019                | 3.87                                 | 0.02  | 0.11   | 0.13                             | —  | —                                     | —                   |
| Year ended 12-31-2018                | 5.87                                 | (0.02)                                      | (1.98)   | (2.00)                           | —  | —                                     | —                   |
| Year ended 12-31-2017                | 6.77                                 | 0.04  | (0.90)   | (0.86)                           | (0.04)                                   | —                                     | (0.04)              |
| Year ended 12-31-2016                | 5.04                                 | (0.02)                                      | 1.76   | 1.74                             | (0.01)                                   | —                                     | (0.01)              |
| <b>Growth</b>                        |                                      |   |  |                                  |  |                                       |                     |
| <b>Class II Shares</b>               |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                | 11.33                                | (0.02)                                      | 3.03   | 3.01                             | —  | (1.64)                                | (1.64)              |
| Year ended 12-31-2019                | 11.02                                | (0.01)                                      | 3.58   | 3.57                             | —  | (3.26)                                | (3.26)              |
| Year ended 12-31-2018                | 12.09                                | 0.00*                                       | 0.36   | 0.36                             | —*                                       | (1.43)                                | (1.43)              |
| Year ended 12-31-2017                | 10.30                                | 0.01  | 2.84   | 2.85                             | (0.03)                                   | (1.03)                                | (1.06)              |
| Year ended 12-31-2016                | 11.42                                | 0.03  | 0.03   | 0.06                             | —*                                       | (1.18)                                | (1.18)              |
| <b>High Income</b>                   |                                      |   |  |                                  |  |                                       |                     |
| <b>Class I Shares</b>                |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                | 3.48                                 | 0.21  | (0.03)   | 0.18                             | (0.25)                                   | —                                     | (0.25)              |
| Year ended 12-31-2019                | 3.35                                 | 0.24  | 0.13   | 0.37                             | (0.24)                                   | —                                     | (0.24)              |
| Year ended 12-31-2018                | 3.65                                 | 0.23  | (0.29)   | (0.06)                           | (0.24)                                   | —                                     | (0.24)              |
| Year ended 12-31-2017 <sup>(4)</sup> | 3.73                                 | 0.16  | (0.03)   | 0.13                             | (0.21)                                   | —                                     | (0.21)              |
| <b>Class II Shares</b>               |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                | 3.47                                 | 0.20  | (0.03)   | 0.17                             | (0.24)                                   | —                                     | (0.24)              |
| Year ended 12-31-2019                | 3.34                                 | 0.23  | 0.13   | 0.36                             | (0.23)                                   | —                                     | (0.23)              |
| Year ended 12-31-2018                | 3.64                                 | 0.22  | (0.29)   | (0.07)                           | (0.23)                                   | —                                     | (0.23)              |
| Year ended 12-31-2017                | 3.61                                 | 0.23  | 0.01   | 0.24                             | (0.21)                                   | —                                     | (0.21)              |
| Year ended 12-31-2016                | 3.35                                 | 0.24  | 0.28   | 0.52                             | (0.26)                                   | —                                     | (0.26)              |
| <b>International Core Equity</b>     |                                      |   |  |                                  |  |                                       |                     |
| <b>Class II Shares</b>               |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                | 15.65                                | 0.16  | 0.88   | 1.04                             | (0.34)                                   | —*                                    | (0.34)              |
| Year ended 12-31-2019                | 14.66                                | 0.29  | 2.28   | 2.57                             | (0.25)                                   | (1.33)                                | (1.58)              |
| Year ended 12-31-2018                | 18.58                                | 0.30  | (3.45)   | (3.15)                           | (0.28)                                   | (0.49)                                | (0.77)              |
| Year ended 12-31-2017                | 15.30                                | 0.23  | 3.29   | 3.52                             | (0.24)                                   | —                                     | (0.24)              |
| Year ended 12-31-2016                | 15.53                                | 0.24  | (0.11)   | 0.13                             | (0.20)                                   | (0.16)                                | (0.36)              |

\* Not shown due to rounding.

<sup>(1)</sup> Based on average weekly shares outstanding.<sup>(2)</sup> Based on net asset value. Total returns do not reflect a sales charge or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.<sup>(3)</sup> Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

|  | Net Asset Value, End of Period | Total Return <sup>(2)</sup> | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver <sup>(3)</sup> | Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver <sup>(3)</sup> | Portfolio Turnover Rate |
|--|--------------------------------|-----------------------------|---|--|--|---|---|-------------------------|
| <b>Asset Strategy Class I Shares</b>             |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                            | \$10.45                        | 14.16%                      | \$ —*                                   | 0.77%  | 1.83%  | —%  | —%  | 44%                     |
| Year ended 12-31-2019                            | 9.50                           | 22.08                       | 1                                       | 0.77   | 2.19   | 0.77  | 2.19  | 46                      |
| Year ended 12-31-2018                            | 8.29                           | -5.20                       | —*                                      | 0.78   | 1.91   | 0.78  | 1.91  | 58                      |
| Year ended 12-31-2017 <sup>(4)</sup>             | 9.37                           | 11.16                       | —*                                      | 0.74 <sup>(5)</sup>  | 1.30 <sup>(5)</sup>  | —   | —   | 39 <sup>(6)</sup>       |
| <b>Class II Shares</b>                           |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                            | 10.44                          | 13.88                       | 764                                     | 1.02   | 1.60   | —   | —   | 44                      |
| Year ended 12-31-2019                            | 9.50                           | 21.78                       | 772                                     | 1.02   | 1.94   | —   | —   | 46                      |
| Year ended 12-31-2018                            | 8.29                           | -5.44                       | 753                                     | 1.03   | 1.65   | —   | —   | 58                      |
| Year ended 12-31-2017                            | 9.37                           | 18.27                       | 936                                     | 1.02   | 0.35   | —   | —   | 39                      |
| Year ended 12-31-2016                            | 8.04                           | -2.57                       | 954                                     | 1.01   | 0.70   | 1.02  | 0.69  | 68                      |
| <b>Balanced Class II Shares</b>                  |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                            | 8.71                           | 14.11                       | 344                                     | 1.02   | 1.13   | —   | —   | 61                      |
| Year ended 12-31-2019                            | 8.22                           | 22.09                       | 341                                     | 1.01   | 1.38   | —   | —   | 44                      |
| Year ended 12-31-2018                            | 7.46                           | -3.24                       | 310                                     | 1.01   | 1.55   | —   | —   | 54                      |
| Year ended 12-31-2017                            | 7.95                           | 11.37                       | 362                                     | 1.01   | 1.54   | —   | —   | 48                      |
| Year ended 12-31-2016                            | 7.47                           | 2.03                        | 361                                     | 1.01   | 1.53   | —   | —   | 54                      |
| <b>Energy Class I Shares</b>                     |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                            | 2.48                           | -36.67                      | —*                                      | 1.06   | 1.89   | 1.12  | 1.83  | 54                      |
| Year ended 12-31-2019                            | 4.02                           | 3.74                        | —*                                      | 1.04   | 0.64   | —   | —   | 21                      |
| Year ended 12-31-2018                            | 3.88                           | -33.96                      | —*                                      | 0.94   | -0.09  | 0.94  | -0.09   | 37                      |
| Year ended 12-31-2017 <sup>(4)</sup>             | 5.87                           | 1.55                        | —*                                      | 0.92 <sup>(5)</sup>  | 1.70 <sup>(5)</sup>  | —   | —   | 22 <sup>(6)</sup>       |
| <b>Class II Shares</b>                           |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                            | 2.48                           | -36.83                      | 44                                      | 1.31   | 1.62   | 1.37  | 1.56  | 54                      |
| Year ended 12-31-2019                            | 4.00                           | 3.48                        | 42                                      | 1.29   | 0.42   | —   | —   | 21                      |
| Year ended 12-31-2018                            | 3.87                           | -34.14                      | 39                                      | 1.19   | -0.41  | —   | —   | 37                      |
| Year ended 12-31-2017                            | 5.87                           | -12.64                      | 169                                     | 1.19   | 0.75   | —   | —   | 22                      |
| Year ended 12-31-2016                            | 6.77                           | 34.55                       | 196                                     | 1.19   | -0.27  | —   | —   | 31                      |
| <b>Growth Class II Shares</b>                    |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                            | 12.70                          | 30.55                       | 896                                     | 1.01   | -0.20  | —   | —   | 29                      |
| Year ended 12-31-2019                            | 11.33                          | 36.59                       | 791                                     | 1.00   | -0.05  | —   | —   | 30                      |
| Year ended 12-31-2018                            | 11.02                          | 2.28                        | 669                                     | 1.00   | -0.02  | —   | —   | 37                      |
| Year ended 12-31-2017                            | 12.09                          | 29.34                       | 883                                     | 0.99   | 0.05   | —   | —   | 41                      |
| Year ended 12-31-2016                            | 10.30                          | 1.22                        | 835                                     | 0.98   | 0.26   | 1.00  | 0.24  | 53                      |
| <b>High Income Class I Shares</b>                |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                            | 3.41                           | 6.30                        | 20                                      | 0.69   | 6.54   | —   | —   | 52                      |
| Year ended 12-31-2019                            | 3.48                           | 11.49                       | 27                                      | 0.67   | 6.82   | —   | —   | 35                      |
| Year ended 12-31-2018                            | 3.35                           | -1.86                       | 44                                      | 0.66   | 6.50   | 0.66  | 6.50  | 42                      |
| Year ended 12-31-2017 <sup>(4)</sup>             | 3.65                           | 3.42                        | 56                                      | 0.66 <sup>(5)</sup>  | 6.53 <sup>(5)</sup>  | —   | —   | 52 <sup>(6)</sup>       |
| <b>Class II Shares</b>                           |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                            | 3.40                           | 6.03                        | 859                                     | 0.94   | 6.28   | —   | —   | 52                      |
| Year ended 12-31-2019                            | 3.47                           | 11.19                       | 859                                     | 0.92   | 6.57   | —   | —   | 35                      |
| Year ended 12-31-2018                            | 3.34                           | -2.11                       | 803                                     | 0.91   | 6.27   | —   | —   | 42                      |
| Year ended 12-31-2017                            | 3.64                           | 6.68                        | 887                                     | 0.91   | 6.22   | —   | —   | 52                      |
| Year ended 12-31-2016                            | 3.61                           | 16.19                       | 845                                     | 0.89   | 6.97   | 0.92  | 6.94  | 36                      |
| <b>International Core Equity Class II Shares</b> |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                            | 16.35                          | 7.19                        | 649                                     | 1.17   | 1.10   | —   | —   | 82                      |
| Year ended 12-31-2019                            | 15.65                          | 18.69                       | 699                                     | 1.16   | 1.93   | —   | —   | 69                      |
| Year ended 12-31-2018                            | 14.66                          | -17.81                      | 676                                     | 1.16   | 1.70   | —   | —   | 51                      |
| Year ended 12-31-2017                            | 18.58                          | 23.16                       | 835                                     | 1.16   | 1.33   | —   | —   | 59                      |
| Year ended 12-31-2016                            | 15.30                          | 1.08                        | 736                                     | 1.17   | 1.60   | —   | —   | 77                      |

<sup>(4)</sup> For the period from April 28, 2017 (commencement of operations of the class) through December 31, 2017.

<sup>(5)</sup> Annualized.

<sup>(6)</sup> Portfolio turnover is calculated at the fund level. Percentage indicated was calculated for the period ended December 31, 2017.

|  | Net Asset Value, Beginning of Period | Net Investment Income (Loss) <sup>(1)</sup> | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|--|--------------------------------------|---|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Mid Cap Growth Class I Shares</b>         |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                        | \$ 12.77                             | \$(0.04)                                    | \$ 5.89  | \$ 5.85                          | \$ —                                     | \$ (1.02)                             | \$ (1.02)           |
| Year ended 12-31-2019                        | 11.10                                | (0.02)                                      | 3.95   | 3.93                             | —  | (2.26)                                | (2.26)              |
| Year ended 12-31-2018                        | 11.63                                | (0.02)                                      | 0.09   | 0.07                             | —  | (0.60)                                | (0.60)              |
| Year ended 12-31-2017 <sup>(4)</sup>         | 10.30                                | 0.00*                                       | 1.64   | 1.64                             | —  | (0.31)                                | (0.31)              |
| <b>Class II Shares</b>                       |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                        | 12.69                                | (0.07)                                      | 5.85   | 5.78                             | —  | (0.99)                                | (0.99)              |
| Year ended 12-31-2019                        | 11.07                                | (0.06)                                      | 3.94   | 3.88                             | —  | (2.26)                                | (2.26)              |
| Year ended 12-31-2018                        | 11.61                                | (0.05)                                      | 0.09   | 0.04                             | —  | (0.58)                                | (0.58)              |
| Year ended 12-31-2017                        | 9.44                                 | (0.04)                                      | 2.52   | 2.48                             | —  | (0.31)                                | (0.31)              |
| Year ended 12-31-2016                        | 9.42                                 | (0.01)                                      | 0.55   | 0.54                             | —  | (0.52)                                | (0.52)              |
| <b>Natural Resources Class II Shares</b>     |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                        | 3.84                                 | 0.04  | (0.51)   | (0.47)                           | (0.07)                                   | —                                     | (0.07)              |
| Year ended 12-31-2019                        | 3.55                                 | 0.07  | 0.26   | 0.33                             | (0.04)                                   | —                                     | (0.04)              |
| Year ended 12-31-2018                        | 4.63                                 | 0.03  | (1.10)   | (1.07)                           | (0.01)                                   | —                                     | (0.01)              |
| Year ended 12-31-2017                        | 4.50                                 | 0.00*                                       | 0.14   | 0.14                             | (0.01)                                   | —                                     | (0.01)              |
| Year ended 12-31-2016                        | 3.66                                 | 0.01  | 0.86   | 0.87                             | (0.03)                                   | —                                     | (0.03)              |
| <b>Science and Technology Class I Shares</b> |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                        | 29.94                                | (0.14)                                      | 10.31  | 10.17                            | —  | (3.98)                                | (3.98)              |
| Year ended 12-31-2019                        | 21.91                                | (0.06)                                      | 10.95  | 10.89                            | —  | (2.86)                                | (2.86)              |
| Year ended 12-31-2018                        | 27.04                                | (0.03)                                      | (1.24)   | (1.27)                           | —  | (3.86)                                | (3.86)              |
| Year ended 12-31-2017 <sup>(4)</sup>         | 25.22                                | (0.04)                                      | 4.16   | 4.12                             | —  | (2.30)                                | (2.30)              |
| <b>Class II Shares</b>                       |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                        | 29.82                                | (0.21)                                      | 10.24  | 10.03                            | —  | (3.98)                                | (3.98)              |
| Year ended 12-31-2019                        | 21.84                                | (0.13)                                      | 10.90  | 10.77                            | —  | (2.79)                                | (2.79)              |
| Year ended 12-31-2018                        | 27.04                                | (0.11)                                      | (1.23)   | (1.34)                           | —  | (3.86)                                | (3.86)              |
| Year ended 12-31-2017                        | 22.34                                | (0.13)                                      | 7.08   | 6.95                             | —  | (2.25)                                | (2.25)              |
| Year ended 12-31-2016                        | 22.96                                | (0.11)                                      | 0.34   | 0.23                             | —  | (0.85)                                | (0.85)              |
| <b>Small Cap Core Class II Shares</b>        |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                        | 13.71                                | (0.02)                                      | 0.80   | 0.78                             | —  | (0.64)                                | (0.64)              |
| Year ended 12-31-2019                        | 13.51                                | 0.00*                                       | 3.12   | 3.12                             | —  | (2.92)                                | (2.92)              |
| Year ended 12-31-2018                        | 18.32                                | (0.06)                                      | (1.37)   | (1.43)                           | (0.02)                                   | (3.36)                                | (3.38)              |
| Year ended 12-31-2017                        | 18.34                                | 0.00*                                       | 2.21   | 2.21                             | —  | (2.23)                                | (2.23)              |
| Year ended 12-31-2016                        | 15.66                                | 0.01  | 4.17   | 4.18                             | (0.07)                                   | (1.43)                                | (1.50)              |
| <b>Small Cap Growth Class I Shares</b>       |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                        | 8.80                                 | (0.04)                                      | 3.39   | 3.35                             | —  | —                                     | —                   |
| Year ended 12-31-2019                        | 7.69                                 | (0.05)                                      | 1.85   | 1.80                             | —  | (0.69)                                | (0.69)              |
| Year ended 12-31-2018 <sup>(5)</sup>         | 8.76                                 | 0.00*                                       | (1.07)   | (1.07)                           | —  | —                                     | —                   |
| <b>Class II Shares</b>                       |                                      |   |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                        | 8.77                                 | (0.06)                                      | 3.37   | 3.31                             | —  | —                                     | —                   |
| Year ended 12-31-2019                        | 7.68                                 | (0.07)                                      | 1.85   | 1.78                             | —  | (0.69)                                | (0.69)              |
| Year ended 12-31-2018                        | 11.63                                | (0.06)                                      | 0.03   | (0.03)                           | (0.05)                                   | (3.87)                                | (3.92)              |
| Year ended 12-31-2017                        | 9.69                                 | (0.07)                                      | 2.27   | 2.20                             | —  | (0.26)                                | (0.26)              |
| Year ended 12-31-2016                        | 10.60                                | (0.07)                                      | 0.23   | 0.16                             | —  | (1.07)                                | (1.07)              |

\* Not shown due to rounding.

<sup>(1)</sup> Based on average weekly shares outstanding.

<sup>(2)</sup> Based on net asset value. Total returns do not reflect a sales charge or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

<sup>(3)</sup> Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

<sup>(4)</sup> For the period from April 28, 2017 (commencement of operations of the class) through December 31, 2017.

<sup>(5)</sup> For the period from November 5, 2018 (commencement of operations of the class) through December 31, 2018.

<sup>(6)</sup> Annualized.

<sup>(7)</sup> Portfolio turnover is calculated at the fund level. Percentage indicated was calculated for the period ended December 31, 2017.

<sup>(8)</sup> Portfolio turnover is calculated at the fund level. Percentage indicated was calculated for the period ended December 31, 2018.

<sup>(9)</sup> Expense ratio based on the period excluding reorganization expenses was 0.89%.

<sup>(10)</sup> Expense ratio based on the period excluding reorganization expenses was 1.14%.



|  | Net Asset Value, End of Period | Total Return <sup>(2)</sup> | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income (Loss) to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver <sup>(3)</sup> | Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver <sup>(3)</sup> | Portfolio Turnover Rate |
|--|--------------------------------|-----------------------------|---|--|--|---|---|-------------------------|
| <b>Mid Cap Growth Class I Shares</b>         |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                        | \$ 17.60                       | 49.37%                      | \$246                                   | 0.85%  | -0.27%   | 0.90%   | -0.32%  | 25%                     |
| Year ended 12-31-2019                        | 12.77                          | 38.28                       | 233                                     | 0.85   | -0.20  | 0.90  | -0.25   | 20                      |
| Year ended 12-31-2018                        | 11.10                          | 0.20                        | 184                                     | 0.85   | -0.14  | 0.90  | -0.19   | 53                      |
| Year ended 12-31-2017 <sup>(4)</sup>         | 11.63                          | 16.44                       | 131                                     | 0.856 <sup>(6)</sup>   | 0.05 <sup>(6)</sup>  | 0.89 <sup>(6)</sup>   | 0.01 <sup>(6)</sup>   | 25 <sup>(7)</sup>       |
| <b>Class II Shares</b>                       |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                        | 17.48                          | 49.00                       | 444                                     | 1.10   | -0.53  | 1.15  | -0.58   | 25                      |
| Year ended 12-31-2019                        | 12.69                          | 37.94                       | 315                                     | 1.10   | -0.45  | 1.15  | -0.50   | 20                      |
| Year ended 12-31-2018                        | 11.07                          | -0.06                       | 230                                     | 1.10   | -0.42  | 1.15  | -0.47   | 53                      |
| Year ended 12-31-2017                        | 11.61                          | 26.89                       | 585                                     | 1.11   | -0.39  | 1.15  | -0.43   | 25                      |
| Year ended 12-31-2016                        | 9.44                           | 6.12                        | 615                                     | 1.10   | -0.09  | 1.15  | -0.14   | 33                      |
| <b>Natural Resources Class II Shares</b>     |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                        | 3.30                           | -11.99                      | 75                                      | 1.31   | 1.40   | =   | =   | 71                      |
| Year ended 12-31-2019                        | 3.84                           | 9.46                        | 88                                      | 1.24   | 1.88   | =   | =   | 36                      |
| Year ended 12-31-2018                        | 3.55                           | -23.23                      | 88                                      | 1.21   | 0.72   | =   | =   | 33                      |
| Year ended 12-31-2017                        | 4.63                           | 2.97                        | 131                                     | 1.36   | 0.11   | =   | =   | 44                      |
| Year ended 12-31-2016                        | 4.50                           | 23.81                       | 144                                     | 1.36   | 0.20   | =   | =   | 67                      |
| <b>Science and Technology Class I Shares</b> |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                        | 36.13                          | 35.70                       | 2                                       | 0.91   | -0.44  | =   | =   | 8                       |
| Year ended 12-31-2019                        | 29.94                          | 49.86                       | 1                                       | 0.90   | -0.23  | =   | =   | 31                      |
| Year ended 12-31-2018                        | 21.91                          | -5.00                       | 1                                       | 0.91   | -0.11  | 0.91  | -0.11   | 17                      |
| Year ended 12-31-2017 <sup>(4)</sup>         | 27.04                          | 17.24                       | —*                                      | 0.90 <sup>(6)</sup>  | -0.25 <sup>(6)</sup>   | =   | =   | 27 <sup>(7)</sup>       |
| <b>Class II Shares</b>                       |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                        | 35.87                          | 35.36                       | 676                                     | 1.16   | -0.67  | =   | =   | 8                       |
| Year ended 12-31-2019                        | 29.82                          | 49.48                       | 579                                     | 1.15   | -0.48  | =   | =   | 31                      |
| Year ended 12-31-2018                        | 21.84                          | -5.23                       | 429                                     | 1.16   | -0.38  | =   | =   | 17                      |
| Year ended 12-31-2017                        | 27.04                          | 32.12                       | 645                                     | 1.15   | -0.51  | =   | =   | 27                      |
| Year ended 12-31-2016                        | 22.34                          | 1.54                        | 514                                     | 1.15   | -0.52  | 1.17  | -0.54   | 16                      |
| <b>Small Cap Core Class II Shares</b>        |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                        | 13.85                          | 7.03                        | 183                                     | 1.20   | -0.14  | =   | =   | 145                     |
| Year ended 12-31-2019                        | 13.71                          | 24.33                       | 188                                     | 1.18   | -0.05  | =   | =   | 126                     |
| Year ended 12-31-2018                        | 13.51                          | -10.49                      | 175                                     | 1.17   | -0.34  | =   | =   | 112                     |
| Year ended 12-31-2017                        | 18.32                          | 13.73                       | 316                                     | 1.15   | 0.01   | =   | =   | 112                     |
| Year ended 12-31-2016                        | 18.34                          | 28.88                       | 348                                     | 1.16   | 0.08   | =   | =   | 182                     |
| <b>Small Cap Growth Class I Shares</b>       |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                        | 12.15                          | 38.01                       | 59                                      | 0.89   | -0.46  | 0.92  | -0.49   | 50                      |
| Year ended 12-31-2019                        | 8.80                           | 23.68                       | 58                                      | 0.89   | -0.60  | 0.91  | -0.62   | 41                      |
| Year ended 12-31-2018 <sup>(5)</sup>         | 7.69                           | -12.24                      | 52                                      | 1.05 <sup>(6)(9)</sup>   | 0.15 <sup>(6)</sup>  | 1.07 <sup>(6)</sup>   | 0.13 <sup>(6)</sup>   | 52 <sup>(8)</sup>       |
| <b>Class II Shares</b>                       |                                |                             |   |  |  |   |   |                         |
| Year ended 12-31-2020                        | 12.08                          | 37.66                       | 406                                     | 1.14   | -0.71  | 1.17  | -0.74   | 50                      |
| Year ended 12-31-2019                        | 8.77                           | 23.37                       | 331                                     | 1.14   | -0.84  | 1.17  | -0.87   | 41                      |
| Year ended 12-31-2018                        | 7.68                           | -4.11                       | 300                                     | 1.16 <sup>(10)</sup>   | -0.52  | 1.18  | -0.54   | 52                      |
| Year ended 12-31-2017                        | 11.63                          | 23.12                       | 377                                     | 1.15   | -0.69  | 1.17  | -0.71   | 55                      |
| Year ended 12-31-2016                        | 9.69                           | 2.92                        | 426                                     | 1.14   | -0.79  | 1.16  | -0.81   | 107                     |

|  | Net Asset<br>Value,<br>Beginning of<br>Period | Net<br>Investment<br>Income <sup>(1)</sup> | Net Realized<br>and Unrealized<br>Gain (Loss) on<br>Investments | Total from<br>Investment<br>Operations | Distributions From<br>Net Investment<br>Income | Distributions<br>From Net<br>Realized<br>Gains | Total<br>Distributions |
|--|---|--|---|--|--|--|------------------------|
| <b>Core Equity</b>                     |   |  |   |  |  |  |                        |
| <b>Class II Shares</b>                 |   |  |   |  |  |  |                        |
| Year ended 12-31-2020                  | \$12.63                                       | \$0.06                                     | \$ 2.44   | \$ 2.50                                | \$(0.07)                                       | \$(0.70)                                       | \$(0.77)               |
| Year ended 12-31-2019                  | 10.80   | 0.06                                       | 3.10  | 3.16                                   | (0.07)   | (1.26)   | (1.33)                 |
| Year ended 12-31-2018                  | 12.30   | 0.07                                       | (0.53)  | (0.46)                                 | (0.06)   | (0.98)   | (1.04)                 |
| Year ended 12-31-2017                  | 10.67   | 0.05                                       | 2.09  | 2.14                                   | (0.05)   | (0.46)   | (0.51)                 |
| Year ended 12-31-2016                  | 11.75   | 0.05                                       | 0.32  | 0.37                                   | (0.05)   | (1.40)   | (1.45)                 |
| <b>Corporate Bond</b>                  |   |  |   |  |  |  |                        |
| <b>Class II Shares</b>                 |   |  |   |  |  |  |                        |
| Year ended 12-31-2020                  | 5.60  | 0.14                                       | 0.46  | 0.60                                   | (0.15)   | —  | (0.15)                 |
| Year ended 12-31-2019                  | 5.13  | 0.15                                       | 0.47  | 0.62                                   | (0.15)   | —  | (0.15)                 |
| Year ended 12-31-2018                  | 5.35  | 0.14                                       | (0.24)  | (0.10)                                 | (0.11)   | (0.01)   | (0.12)                 |
| Year ended 12-31-2017                  | 5.27  | 0.12                                       | 0.08  | 0.20                                   | (0.08)   | (0.04)   | (0.12)                 |
| Year ended 12-31-2016                  | 5.20  | 0.12                                       | 0.09  | 0.21                                   | (0.13)   | (0.01)   | (0.14)                 |
| <b>Global Bond</b>                     |   |  |   |  |  |  |                        |
| <b>Class II Shares</b>                 |   |  |   |  |  |  |                        |
| Year ended 12-31-2020                  | 5.07  | 0.19                                       | 0.20  | 0.39                                   | (0.20)   | —  | (0.20)                 |
| Year ended 12-31-2019                  | 4.81  | 0.20                                       | 0.24  | 0.44                                   | (0.18)   | —  | (0.18)                 |
| Year ended 12-31-2018                  | 4.96  | 0.17                                       | (0.18)  | (0.01)                                 | (0.14)   | —  | (0.14)                 |
| Year ended 12-31-2017                  | 4.89  | 0.15                                       | 0.06  | 0.21                                   | (0.14)   | —  | (0.14)                 |
| Year ended 12-31-2016                  | 4.74  | 0.16                                       | 0.17  | 0.33                                   | (0.18)   | —  | (0.18)                 |
| <b>Global Equity Income</b>            |   |  |   |  |  |  |                        |
| <b>Class II Shares</b>                 |   |  |   |  |  |  |                        |
| Year ended 12-31-2020                  | 6.01  | 0.12                                       | 0.03  | 0.15                                   | (0.14)   | —  | (0.14)                 |
| Year ended 12-31-2019                  | 6.89  | 0.16                                       | 1.17  | 1.33                                   | (0.22)   | (1.99)   | (2.21)                 |
| Year ended 12-31-2018                  | 8.58  | 0.16                                       | (1.07)  | (0.91)                                 | (0.14)   | (0.64)   | (0.78)                 |
| Year ended 12-31-2017                  | 7.79  | 0.13                                       | 1.03  | 1.16                                   | (0.10)   | (0.27)   | (0.37)                 |
| Year ended 12-31-2016                  | 7.82  | 0.11                                       | 0.40  | 0.51                                   | (0.10)   | (0.44)   | (0.54)                 |
| <b>Global Growth</b>                   |   |  |   |  |  |  |                        |
| <b>Class II Shares</b>                 |   |  |   |  |  |  |                        |
| Year ended 12-31-2020                  | 3.58  | 0.00*                                      | 0.72  | 0.72                                   | (0.01)   | —  | (0.01)                 |
| Year ended 12-31-2019                  | 8.67  | 0.02                                       | 1.45  | 1.47                                   | (0.06)   | (6.50)   | (6.56)                 |
| Year ended 12-31-2018                  | 9.87  | 0.05                                       | (0.58)  | (0.53)                                 | (0.05)   | (0.62)   | (0.67)                 |
| Year ended 12-31-2017                  | 8.14  | 0.04                                       | 1.93  | 1.97                                   | —*   | (0.24)   | (0.24)                 |
| Year ended 12-31-2016                  | 8.68  | 0.01                                       | (0.28)  | (0.27)                                 | (0.02)   | (0.25)   | (0.27)                 |
| <b>Limited-Term Bond</b>               |   |  |   |  |  |  |                        |
| <b>Class II Shares</b>                 |   |  |   |  |  |  |                        |
| Year ended 12-31-2020                  | 4.95  | 0.08                                       | 0.12  | 0.20                                   | (0.14)   | —  | (0.14)                 |
| Year ended 12-31-2019                  | 4.84  | 0.09                                       | 0.11  | 0.20                                   | (0.09)   | —  | (0.09)                 |
| Year ended 12-31-2018                  | 4.88  | 0.09                                       | (0.05)  | 0.04                                   | (0.08)   | —  | (0.08)                 |
| Year ended 12-31-2017                  | 4.89  | 0.08                                       | (0.01)  | 0.07                                   | (0.08)   | —  | (0.08)                 |
| Year ended 12-31-2016                  | 4.87  | 0.08                                       | 0.01  | 0.09                                   | (0.07)   | —  | (0.07)                 |
| <b>Securian Real Estate Securities</b> |   |  |   |  |  |  |                        |
| <b>Class II Shares</b>                 |   |  |   |  |  |  |                        |
| Year ended 12-31-2020                  | 8.05  | 0.07                                       | (0.46)  | (0.39)                                 | (0.12)   | (0.57)   | (0.69)                 |
| Year ended 12-31-2019                  | 6.60  | 0.17                                       | 1.43  | 1.60                                   | (0.12)   | (0.03)   | (0.15)                 |
| Year ended 12-31-2018                  | 7.64  | 0.10                                       | (0.54)  | (0.44)                                 | (0.11)   | (0.49)   | (0.60)                 |
| Year ended 12-31-2017                  | 8.40  | 0.11                                       | 0.27  | 0.38                                   | (0.11)   | (1.03)   | (1.14)                 |
| Year ended 12-31-2016                  | 8.98  | 0.10                                       | 0.25  | 0.35                                   | (0.10)   | (0.84)   | (0.94)                 |
| <b>Value</b>                           |   |  |   |  |  |  |                        |
| <b>Class II Shares</b>                 |   |  |   |  |  |  |                        |
| Year ended 12-31-2020                  | 6.72  | 0.09                                       | (0.05)  | 0.04                                   | (0.12)   | (0.24)   | (0.36)                 |
| Year ended 12-31-2019                  | 5.69  | 0.11                                       | 1.32  | 1.43                                   | (0.05)   | (0.35)   | (0.40)                 |
| Year ended 12-31-2018                  | 6.44  | 0.07                                       | (0.51)  | (0.44)                                 | (0.12)   | (0.19)   | (0.31)                 |
| Year ended 12-31-2017                  | 5.93  | 0.11                                       | 0.61  | 0.72                                   | (0.09)   | (0.12)   | (0.21)                 |
| Year ended 12-31-2016                  | 6.15  | 0.08                                       | 0.49  | 0.57                                   | (0.07)   | (0.72)   | (0.79)                 |

\* Not shown due to rounding.

<sup>(1)</sup> Based on average weekly shares outstanding.<sup>(2)</sup> Based on net asset value. Total returns do not reflect a sales charge or contingent sales charge, if applicable. Total returns for periods less than one year are not annualized.<sup>(3)</sup> Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

|  | Net Asset Value, End of Period | Total Return <sup>(2)</sup> | Net Assets, End of Period (in millions) | Ratio of Expenses to Average Net Assets Including Expense Waiver | Ratio of Net Investment Income to Average Net Assets Including Expense Waiver | Ratio of Expenses to Average Net Assets Excluding Expense Waiver <sup>(3)</sup> | Ratio of Net Investment Income (Loss) to Average Net Assets Excluding Expense Waiver <sup>(3)</sup> | Portfolio Turnover Rate |
|--|--------------------------------|-----------------------------|---|--|---|---|---|-------------------------|
| <b>Core Equity Class II Shares</b>                     |                                |                             |   |  |   |   |   |                         |
| Year ended 12-31-2020                                  | \$14.36                        | 21.52%                      | \$ 737                                  | 0.95%  | 0.51%   | 1.00%   | 0.46%   | 58%                     |
| Year ended 12-31-2019                                  | 12.63                          | 31.09                       | 723                                     | 0.95   | 0.53  | 1.00  | 0.48  | 80                      |
| Year ended 12-31-2018                                  | 10.80                          | -4.51                       | 626                                     | 0.95   | 0.59  | 1.00  | 0.54  | 99                      |
| Year ended 12-31-2017                                  | 12.30                          | 20.75                       | 445                                     | 0.95   | 0.42  | 1.00  | 0.37  | 78                      |
| Year ended 12-31-2016                                  | 10.67                          | 3.74                        | 420                                     | 0.95   | 0.45  | 1.01  | 0.39  | 75                      |
| <b>Corporate Bond Class II Shares</b>                  |                                |                             |   |  |   |   |   |                         |
| Year ended 12-31-2020                                  | 6.05                           | 10.97                       | 685                                     | 0.77   | 2.34  | =   | =   | 95                      |
| Year ended 12-31-2019                                  | 5.60                           | 12.18                       | 600                                     | 0.77   | 2.73  | —   | —   | 66                      |
| Year ended 12-31-2018                                  | 5.13                           | -1.90                       | 544                                     | 0.77   | 2.77  | —   | —   | 63                      |
| Year ended 12-31-2017                                  | 5.35                           | 4.01                        | 548                                     | 0.78   | 2.32  | —   | —   | 66                      |
| Year ended 12-31-2016                                  | 5.27                           | 4.03                        | 416                                     | 0.79   | 2.17  | —   | —   | 84                      |
| <b>Global Bond Class II Shares</b>                     |                                |                             |   |  |   |   |   |                         |
| Year ended 12-31-2020                                  | 5.26                           | 8.15                        | 21                                      | 0.65   | 3.71  | 1.28  | 3.08  | 56                      |
| Year ended 12-31-2019                                  | 5.07                           | 9.42                        | 21                                      | 0.50   | 3.96  | 1.13  | 3.33  | 43                      |
| Year ended 12-31-2018                                  | 4.81                           | -0.18                       | 22                                      | 0.50   | 3.52  | 1.12  | 2.90  | 37                      |
| Year ended 12-31-2017                                  | 4.96                           | 4.27                        | 23                                      | 0.50   | 3.08  | 1.12  | 2.46  | 49                      |
| Year ended 12-31-2016                                  | 4.89                           | 7.04                        | 22                                      | 0.50   | 3.28  | 1.13  | 2.65  | 18                      |
| <b>Global Equity Income Class II Shares</b>            |                                |                             |   |  |   |   |   |                         |
| Year ended 12-31-2020                                  | 6.02                           | 3.15                        | 315                                     | 1.03   | 2.19  | =   | =   | 73                      |
| Year ended 12-31-2019                                  | 6.01                           | 23.15                       | 297                                     | 1.02   | 2.52  | —   | —   | 39                      |
| Year ended 12-31-2018                                  | 6.89                           | -11.68                      | 284                                     | 1.01   | 2.01  | —   | —   | 93                      |
| Year ended 12-31-2017                                  | 8.58                           | 15.56                       | 527                                     | 1.00   | 1.60  | —   | —   | 35                      |
| Year ended 12-31-2016                                  | 7.79                           | 6.95                        | 509                                     | 1.01   | 1.43  | —   | —   | 59                      |
| <b>Global Growth Class II Shares</b>                   |                                |                             |   |  |   |   |   |                         |
| Year ended 12-31-2020                                  | 4.29                           | 20.58                       | 156                                     | 1.13   | 0.06  | 1.23  | -0.04   | 33                      |
| Year ended 12-31-2019                                  | 3.58                           | 25.93                       | 148                                     | 1.13   | 0.41  | 1.21  | 0.33  | 26                      |
| Year ended 12-31-2018                                  | 8.67                           | -6.27                       | 134                                     | 1.13   | 0.46  | 1.18  | 0.41  | 40                      |
| Year ended 12-31-2017                                  | 9.87                           | 24.52                       | 424                                     | 1.14   | 0.47  | 1.17  | 0.44  | 54                      |
| Year ended 12-31-2016                                  | 8.14                           | -3.04                       | 408                                     | 1.13   | 0.09  | 1.16  | 0.06  | 71                      |
| <b>Limited-Term Bond Class II Shares</b>               |                                |                             |   |  |   |   |   |                         |
| Year ended 12-31-2020                                  | 5.01                           | 4.14                        | 430                                     | 0.81   | 1.60  | =   | =   | 74                      |
| Year ended 12-31-2019                                  | 4.95                           | 4.23                        | 453                                     | 0.79   | 1.89  | —   | —   | 54                      |
| Year ended 12-31-2018                                  | 4.84                           | 0.78                        | 542                                     | 0.79   | 1.91  | —   | —   | 53                      |
| Year ended 12-31-2017                                  | 4.88                           | 1.40                        | 443                                     | 0.80   | 1.62  | —   | —   | 55                      |
| Year ended 12-31-2016                                  | 4.89                           | 1.94                        | 395                                     | 0.81   | 1.53  | —   | —   | 60                      |
| <b>Securian Real Estate Securities Class II Shares</b> |                                |                             |   |  |   |   |   |                         |
| Year ended 12-31-2020                                  | 6.97                           | -3.13                       | 31                                      | 1.37   | 1.06  | 1.46  | 0.97  | 72                      |
| Year ended 12-31-2019                                  | 8.05                           | 24.43                       | 35                                      | 1.26   | 1.36  | 1.35  | 1.27  | 54                      |
| Year ended 12-31-2018                                  | 6.60                           | -5.57                       | 34                                      | 1.24   | 1.45  | 1.33  | 1.36  | 71                      |
| Year ended 12-31-2017                                  | 7.64                           | 5.39                        | 43                                      | 1.22   | 1.38  | 1.31  | 1.29  | 73                      |
| Year ended 12-31-2016                                  | 8.39                           | 4.26                        | 49                                      | 1.20   | 1.26  | 1.29  | 1.17  | 79                      |
| <b>Value Class II Shares</b>                           |                                |                             |   |  |   |   |   |                         |
| Year ended 12-31-2020                                  | 6.40                           | 1.98                        | 465                                     | 1.01   | 1.57  | =   | =   | 63                      |
| Year ended 12-31-2019                                  | 6.72                           | 26.33                       | 511                                     | 1.00   | 1.81  | —   | —   | 62                      |
| Year ended 12-31-2018                                  | 5.69                           | -7.24                       | 446                                     | 1.00   | 1.09  | —   | —   | 56                      |
| Year ended 12-31-2017                                  | 6.44                           | 12.49                       | 432                                     | 1.00   | 1.74  | —   | —   | 67                      |
| Year ended 12-31-2016                                  | 5.93                           | 11.14                       | 379                                     | 1.02   | 1.38  | 1.03  | 1.37  | 54                      |

|   | Net Asset Value, Beginning of Period | Net Investment Income <sup>(1)</sup> | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Distributions From Net Investment Income | Distributions From Net Realized Gains | Total Distributions |
|---|--------------------------------------|--------------------------------------|--|----------------------------------|--|---------------------------------------|---------------------|
| <b>Pathfinder Aggressive Class II Shares</b>              |                                      |                                      |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                                     | \$5.00                               | \$0.09                               | \$ 0.52  | \$ 0.61                          | \$(0.07)                                 | \$(0.62)                              | \$(0.69)            |
| Year ended 12-31-2019                                     | 4.60                                 | 0.07                                 | 0.92   | 0.99                             | (0.14)                                   | (0.45)                                | (0.59)              |
| Year ended 12-31-2018                                     | 5.16                                 | 0.13                                 | (0.32)   | (0.19)                           | (0.09)                                   | (0.28)                                | (0.37)              |
| Year ended 12-31-2017                                     | 4.68                                 | 0.08                                 | 0.80   | 0.88                             | (0.05)                                   | (0.35)                                | (0.40)              |
| Year ended 12-31-2016                                     | 5.05                                 | 0.04                                 | 0.15   | 0.19                             | (0.07)                                   | (0.49)                                | (0.56)              |
| <b>Pathfinder Conservative Class II Shares</b>            |                                      |                                      |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                                     | 5.15                                 | 0.10                                 | 0.49   | 0.59                             | (0.09)                                   | (0.34)                                | (0.43)              |
| Year ended 12-31-2019                                     | 4.83                                 | 0.09                                 | 0.59   | 0.68                             | (0.10)                                   | (0.26)                                | (0.36)              |
| Year ended 12-31-2018                                     | 5.16                                 | 0.10                                 | (0.20)   | (0.10)                           | (0.06)                                   | (0.17)                                | (0.23)              |
| Year ended 12-31-2017                                     | 4.90                                 | 0.05                                 | 0.46   | 0.51                             | (0.04)                                   | (0.21)                                | (0.25)              |
| Year ended 12-31-2016                                     | 5.15                                 | 0.04                                 | 0.09   | 0.13                             | (0.06)                                   | (0.32)                                | (0.38)              |
| <b>Pathfinder Moderate Class II Shares</b>                |                                      |                                      |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                                     | 5.19                                 | 0.10                                 | 0.51   | 0.61                             | (0.09)                                   | (0.56)                                | (0.65)              |
| Year ended 12-31-2019                                     | 4.89                                 | 0.08                                 | 0.79   | 0.87                             | (0.14)                                   | (0.43)                                | (0.57)              |
| Year ended 12-31-2018                                     | 5.40                                 | 0.12                                 | (0.31)   | (0.19)                           | (0.08)                                   | (0.24)                                | (0.32)              |
| Year ended 12-31-2017                                     | 5.02                                 | 0.07                                 | 0.64   | 0.71                             | (0.04)                                   | (0.29)                                | (0.33)              |
| Year ended 12-31-2016                                     | 5.34                                 | 0.04                                 | 0.13   | 0.17                             | (0.07)                                   | (0.42)                                | (0.49)              |
| <b>Pathfinder Moderately Aggressive Class II Shares</b>   |                                      |                                      |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                                     | 5.32                                 | 0.10                                 | 0.52   | 0.62                             | (0.09)                                   | (0.67)                                | (0.76)              |
| Year ended 12-31-2019                                     | 4.98                                 | 0.08                                 | 0.92   | 1.00                             | (0.15)                                   | (0.51)                                | (0.66)              |
| Year ended 12-31-2018                                     | 5.59                                 | 0.13                                 | (0.37)   | (0.24)                           | (0.10)                                   | (0.27)                                | (0.37)              |
| Year ended 12-31-2017                                     | 5.14                                 | 0.09                                 | 0.74   | 0.83                             | (0.05)                                   | (0.33)                                | (0.38)              |
| Year ended 12-31-2016                                     | 5.50                                 | 0.04                                 | 0.17   | 0.21                             | (0.09)                                   | (0.48)                                | (0.57)              |
| <b>Pathfinder Moderately Conservative Class II Shares</b> |                                      |                                      |  |                                  |  |                                       |                     |
| Year ended 12-31-2020                                     | 5.22                                 | 0.10                                 | 0.50   | 0.60                             | (0.10)                                   | (0.46)                                | (0.56)              |
| Year ended 12-31-2019                                     | 4.90                                 | 0.08                                 | 0.70   | 0.78                             | (0.12)                                   | (0.34)                                | (0.46)              |
| Year ended 12-31-2018                                     | 5.32                                 | 0.11                                 | (0.24)   | (0.13)                           | (0.07)                                   | (0.22)                                | (0.29)              |
| Year ended 12-31-2017                                     | 4.99                                 | 0.06                                 | 0.56   | 0.62                             | (0.04)                                   | (0.25)                                | (0.29)              |
| Year ended 12-31-2016                                     | 5.30                                 | 0.04                                 | 0.10   | 0.14                             | (0.07)                                   | (0.38)                                | (0.45)              |

\* Not shown due to rounding.

<sup>(1)</sup> Based on average weekly shares outstanding.

<sup>(2)</sup> Based on net asset value. Total returns do not reflect a sales charge or contingent deferred sales charge, if applicable. Total returns for periods less than one year are not annualized.

<sup>(3)</sup> Ratios excluding expense waivers are included only for periods in which the class had waived or reimbursed expenses.

<sup>(4)</sup> Does not include expenses of underlying Ivy VIP Portfolios in which the Portfolio invests.

<sup>(5)</sup> Does not include expenses of the underlying unaffiliated Portfolio in which the Portfolio invests.

FOR A SHARE OF CAPITAL STOCK OUTSTANDING THROUGHOUT EACH PERIOD

|   | Net Asset<br>Value,<br>End of Period | Total<br>Return <sup>(2)</sup> | Net Assets,<br>End of Period<br>(in millions) | Ratio of Expenses<br>to Average Net<br>Assets <u>Including</u><br>Expense Waiver | Ratio of Net<br>Investment<br>Income to<br>Average<br>Net Assets<br><u>Including</u><br>Expense<br>Waiver | Ratio of<br>Expenses to<br>Average<br>Net Assets<br><u>Excluding</u><br>Expense<br>Waiver <sup>(3)</sup> | Ratio of Net<br>Investment<br>Income to<br>Average<br>Net Assets<br><u>Excluding</u><br>Expense<br>Waiver <sup>(3)</sup> | Portfolio<br>Turnover<br>Rate |
|---|--------------------------------------|--------------------------------|---|--|---|--|--|-------------------------------|
| <b>Pathfinder Aggressive Class II Shares</b>              |                                      |                                |   |  |   |  |  |                               |
| Year ended 12-31-2020                                     | \$4.92                               | 15.70%                         | \$ 68   | 0.12% <sup>(4)</sup>   | 1.91% <sup>(4)</sup>  | —%   | —%   | 21%                           |
| Year ended 12-31-2019                                     | 5.00                                 | 23.24                          | 66  | 0.09 <sup>(4)</sup>  | 1.41 <sup>(4)</sup>   | =  | =  | 18                            |
| Year ended 12-31-2018                                     | 4.60                                 | -4.27                          | 59  | 0.09 <sup>(4)</sup>  | 2.49 <sup>(4)</sup>   | =  | =  | 51                            |
| Year ended 12-31-2017                                     | 5.16                                 | 19.83                          | 76  | 0.07 <sup>(4)</sup>  | 1.68 <sup>(4)</sup>   | =  | =  | 20                            |
| Year ended 12-31-2016                                     | 4.68                                 | 4.80                           | 75  | 0.08 <sup>(4)</sup>  | 0.88 <sup>(4)</sup>   | =  | =  | 23                            |
| <b>Pathfinder Conservative Class II Shares</b>            |                                      |                                |   |  |   |  |  |                               |
| Year ended 12-31-2020                                     | 5.31                                 | 12.67                          | 112   | 0.08 <sup>(4)</sup>  | 2.02 <sup>(4)</sup>   | =  | =  | 41                            |
| Year ended 12-31-2019                                     | 5.15                                 | 14.66                          | 99  | 0.07 <sup>(4)</sup>  | 1.71 <sup>(4)</sup>   | =  | =  | 31                            |
| Year ended 12-31-2018                                     | 4.83                                 | -1.93                          | 94  | 0.07 <sup>(4)</sup>  | 1.89 <sup>(4)</sup>   | =  | =  | 39                            |
| Year ended 12-31-2017                                     | 5.16                                 | 10.51                          | 109   | 0.06 <sup>(4)</sup>  | 1.06 <sup>(4)</sup>   | =  | =  | 30                            |
| Year ended 12-31-2016                                     | 4.90                                 | 2.84                           | 114   | 0.07 <sup>(4)</sup>  | 0.71 <sup>(4)</sup>   | =  | =  | 26                            |
| <b>Pathfinder Moderate Class II Shares</b>                |                                      |                                |   |  |   |  |  |                               |
| Year ended 12-31-2020                                     | 5.15                                 | 14.35                          | 656   | 0.04 <sup>(4)</sup>  | 2.05 <sup>(4)</sup>   | =  | =  | 21                            |
| Year ended 12-31-2019                                     | 5.19                                 | 19.05                          | 680   | 0.04 <sup>(4)</sup>  | 1.62 <sup>(4)</sup>   | =  | =  | 17                            |
| Year ended 12-31-2018                                     | 4.89                                 | -3.90                          | 703   | 0.03 <sup>(4)</sup>  | 2.26 <sup>(4)</sup>   | =  | =  | 36                            |
| Year ended 12-31-2017                                     | 5.40                                 | 14.70                          | 877   | 0.03 <sup>(4)</sup>  | 1.30 <sup>(4)</sup>   | =  | =  | 22                            |
| Year ended 12-31-2016                                     | 5.02                                 | 3.65                           | 860   | 0.03 <sup>(4)</sup>  | 0.78 <sup>(4)</sup>   | =  | =  | 19                            |
| <b>Pathfinder Moderately Aggressive Class II Shares</b>   |                                      |                                |   |  |   |  |  |                               |
| Year ended 12-31-2020                                     | 5.18                                 | 15.12                          | 799   | 0.04 <sup>(4)</sup>  | 2.02 <sup>(4)</sup>   | =  | =  | 20                            |
| Year ended 12-31-2019                                     | 5.32                                 | 21.40                          | 829   | 0.03 <sup>(4)</sup>  | 1.56 <sup>(4)</sup>   | =  | =  | 19                            |
| Year ended 12-31-2018                                     | 4.98                                 | -4.71                          | 838   | 0.03 <sup>(4)</sup>  | 2.35 <sup>(4)</sup>   | =  | =  | 39                            |
| Year ended 12-31-2017                                     | 5.59                                 | 16.72                          | 1,052   | 0.03 <sup>(4)</sup>  | 1.66 <sup>(4)</sup>   | =  | =  | 20                            |
| Year ended 12-31-2016                                     | 5.14                                 | 4.52                           | 1,020   | 0.04 <sup>(4)</sup>  | 0.85 <sup>(4)</sup>   | =  | =  | 17                            |
| <b>Pathfinder Moderately Conservative Class II Shares</b> |                                      |                                |   |  |   |  |  |                               |
| Year ended 12-31-2020                                     | 5.26                                 | 13.52                          | 195   | 0.06 <sup>(4)</sup>  | 2.09 <sup>(4)</sup>   | =  | =  | 25                            |
| Year ended 12-31-2019                                     | 5.22                                 | 16.85                          | 202   | 0.05 <sup>(4)</sup>  | 1.67 <sup>(4)</sup>   | =  | =  | 18                            |
| Year ended 12-31-2018                                     | 4.90                                 | -2.67                          | 205   | 0.05 <sup>(4)</sup>  | 2.07 <sup>(4)</sup>   | =  | =  | 34                            |
| Year ended 12-31-2017                                     | 5.32                                 | 12.77                          | 251   | 0.05 <sup>(4)</sup>  | 1.22 <sup>(4)</sup>   | =  | =  | 24                            |
| Year ended 12-31-2016                                     | 4.99                                 | 3.10                           | 261   | 0.05 <sup>(4)</sup>  | 0.80 <sup>(4)</sup>   | =  | =  | 16                            |



|  | Net Asset<br>Value,<br>Beginning of<br>Period | Net<br>Investment<br>Income <sup>(1)</sup> | Net Realized<br>and Unrealized<br>Gain (Loss) on<br>Investments | Total from<br>Investment<br>Operations | Distributions<br>From Net<br>Investment<br>Income | Distributions<br>From Net<br>Realized<br>Gains | Total<br>Distributions |
|--|---|--|---|--|---|--|------------------------|
| <b>Pathfinder Moderate – Managed Volatility<br/>Class II Shares</b>                |   |  |   |  |   |  |                        |
| Year ended 12-31-2020  | \$5.84  | \$ 0.10                                    | \$ 0.34   | \$ 0.44                                | \$(0.08)  | \$(0.43)                                       | \$(0.51)               |
| Year ended 12-31-2019  | 5.33  | 0.08                                       | 0.82  | 0.90                                   | (0.11)  | (0.28)   | (0.39)                 |
| Year ended 12-31-2018  | 5.78  | 0.11                                       | (0.33)  | (0.22)                                 | (0.06)  | (0.17)   | (0.23)                 |
| Year ended 12-31-2017  | 5.25  | 0.06                                       | 0.65  | 0.71                                   | (0.03)  | (0.15)   | (0.18)                 |
| Year ended 12-31-2016  | 5.37  | 0.03                                       | 0.06  | 0.09                                   | (0.03)  | (0.18)   | (0.21)                 |
| <b>Pathfinder Moderately Aggressive – Managed Volatility<br/>Class II Shares</b>   |   |  |   |  |   |  |                        |
| Year ended 12-31-2020  | 5.63  | 0.09                                       | 0.33  | 0.42                                   | (0.07)  | (0.52)   | (0.59)                 |
| Year ended 12-31-2019  | 5.15  | 0.07                                       | 0.88  | 0.95                                   | (0.12)  | (0.35)   | (0.47)                 |
| Year ended 12-31-2018  | 5.66  | 0.11                                       | (0.37)  | (0.26)                                 | (0.07)  | (0.18)   | (0.25)                 |
| Year ended 12-31-2017  | 5.06  | 0.07                                       | 0.71  | 0.78                                   | (0.02)  | (0.16)   | (0.18)                 |
| Year ended 12-31-2016  | 5.25  | 0.03                                       | 0.09  | 0.12                                   | (0.05)  | (0.26)   | (0.31)                 |
| <b>Pathfinder Moderately Conservative – Managed Volatility<br/>Class II Shares</b> |   |  |   |  |   |  |                        |
| Year ended 12-31-2020  | 5.58  | 0.09                                       | 0.39  | 0.48                                   | (0.08)  | (0.34)   | (0.42)                 |
| Year ended 12-31-2019  | 5.19  | 0.08                                       | 0.66  | 0.74                                   | (0.10)  | (0.25)   | (0.35)                 |
| Year ended 12-31-2018  | 5.55  | 0.10                                       | (0.24)  | (0.14)                                 | (0.05)  | (0.17)   | (0.22)                 |
| Year ended 12-31-2017  | 5.10  | 0.05                                       | 0.53  | 0.58                                   | (0.02)  | (0.11)   | (0.13)                 |
| Year ended 12-31-2016  | 5.23  | 0.02                                       | 0.04  | 0.06                                   | (0.03)  | (0.16)   | (0.19)                 |
| <b>Government Money Market<br/>Class II Shares</b>                                 |   |  |   |  |   |  |                        |
| Year ended 12-31-2020  | 1.00  | 0.00*                                      | 0.00  | 0.00*                                  | =*  | =  | =*                     |
| Year ended 12-31-2019  | 1.00  | 0.02                                       | 0.00  | 0.02                                   | (0.02)  | —*   | (0.02)                 |
| Year ended 12-31-2018  | 1.00  | 0.02                                       | 0.00*   | 0.02                                   | (0.02)  | —*   | (0.02)                 |
| Year ended 12-31-2017  | 1.00  | 0.01                                       | 0.00*   | 0.01                                   | (0.01)  | —*   | (0.01)                 |
| Year ended 12-31-2016  | 1.00  | 0.00*                                      | 0.00*   | 0.00*                                  | —*  | —  | —*                     |

|  | Net Asset<br>Value,<br>End of Period | Total<br>Return <sup>(2)</sup> | Net Assets,<br>End of Period<br>(in millions) | Ratio of Expenses<br>to Average Net<br>Assets Including<br>Expense Waiver | Ratio of Net<br>Investment<br>Income to<br>Average<br>Net Assets<br>Including<br>Expense<br>Waiver | Ratio of<br>Expenses to<br>Average<br>Net Assets<br>Excluding<br>Expense<br>Waiver <sup>(3)</sup> | Ratio of Net<br>Investment<br>Income to<br>Average<br>Net Assets<br>Excluding<br>Expense<br>Waiver <sup>(3)</sup> | Portfolio<br>Turnover<br>Rate |
|--|--------------------------------------|--------------------------------|---|---|--|---|---|-------------------------------|
| <b>Pathfinder Moderate – Managed Volatility</b>                |                                      |                                |   |   |  |   |   |                               |
| <b>Class II Shares</b>   |                                      |                                |   |   |  |   |   |                               |
| Year ended 12-31-2020  | \$ 5.77                              | 9.07%                          | \$ 729  | 0.23% <sup>(4)</sup>  | 1.78% <sup>(4)</sup>   | —%  | —%  | 42%                           |
| Year ended 12-31-2019  | 5.84                                 | 17.32                          | 707   | 0.23 <sup>(4)</sup>   | 1.39 <sup>(4)</sup>  | —   | —   | 9                             |
| Year ended 12-31-2018  | 5.33                                 | -4.00                          | 606   | 0.23 <sup>(4)</sup>   | 2.00 <sup>(4)</sup>  | —   | —   | 28                            |
| Year ended 12-31-2017  | 5.78                                 | 13.80                          | 600   | 0.23 <sup>(4)</sup>   | 1.07 <sup>(4)</sup>  | —   | —   | 21                            |
| Year ended 12-31-2016  | 5.25                                 | 1.81                           | 511   | 0.24 <sup>(4)</sup>   | 0.55 <sup>(4)</sup>  | —   | —   | 14                            |
| <b>Pathfinder Moderately Aggressive – Managed Volatility</b>   |                                      |                                |   |   |  |   |   |                               |
| <b>Class II Shares</b>   |                                      |                                |   |   |  |   |   |                               |
| Year ended 12-31-2020  | 5.46                                 | 9.71                           | 96  | 0.29 <sup>(4)</sup>   | 1.68 <sup>(4)</sup>  | —   | —   | 41                            |
| Year ended 12-31-2019  | 5.63                                 | 19.29                          | 93  | 0.27 <sup>(4)</sup>   | 1.32 <sup>(4)</sup>  | —   | —   | 16                            |
| Year ended 12-31-2018  | 5.15                                 | -4.75                          | 84  | 0.27 <sup>(4)</sup>   | 2.04 <sup>(4)</sup>  | —   | —   | 37                            |
| Year ended 12-31-2017  | 5.66                                 | 15.70                          | 92  | 0.27 <sup>(4)</sup>   | 1.38 <sup>(4)</sup>  | —   | —   | 19                            |
| Year ended 12-31-2016  | 5.06                                 | 2.36                           | 78  | 0.31 <sup>(4)</sup>   | 0.56 <sup>(4)</sup>  | —   | —   | 12                            |
| <b>Pathfinder Moderately Conservative – Managed Volatility</b> |                                      |                                |   |   |  |   |   |                               |
| <b>Class II Shares</b>   |                                      |                                |   |   |  |   |   |                               |
| Year ended 12-31-2020  | 5.64                                 | 9.61                           | 86  | 0.30 <sup>(4)</sup>   | 1.77 <sup>(4)</sup>  | —   | —   | 45                            |
| Year ended 12-31-2019  | 5.58                                 | 14.89                          | 80  | 0.27 <sup>(4)</sup>   | 1.45 <sup>(4)</sup>  | —   | —   | 14                            |
| Year ended 12-31-2018  | 5.19                                 | -2.90                          | 73  | 0.29 <sup>(4)</sup>   | 1.79 <sup>(4)</sup>  | —   | —   | 28                            |
| Year ended 12-31-2017  | 5.55                                 | 11.84                          | 74  | 0.27 <sup>(4)</sup>   | 0.96 <sup>(4)</sup>  | —   | —   | 26                            |
| Year ended 12-31-2016  | 5.10                                 | 1.21                           | 67  | 0.30 <sup>(4)</sup>   | 0.49 <sup>(4)</sup>  | —   | —   | 11                            |
| <b>Government Money Market</b>                                 |                                      |                                |   |   |  |   |   |                               |
| <b>Class II Shares</b>   |                                      |                                |   |   |  |   |   |                               |
| Year ended 12-31-2020  | 1.00                                 | 0.37                           | 96  | 0.27 <sup>(5)</sup>   | 0.44 <sup>(5)</sup>  | 0.44 <sup>(5)</sup>   | 0.27 <sup>(5)</sup>   | —                             |
| Year ended 12-31-2019  | 1.00                                 | 1.83                           | 184   | 0.42  | 1.82   | —   | —   | —                             |
| Year ended 12-31-2018  | 1.00                                 | 1.53                           | 239   | 0.40  | 1.49   | —   | —   | —                             |
| Year ended 12-31-2017  | 1.00                                 | 0.59                           | 317   | 0.41  | 0.56   | 0.42  | 0.55  | —                             |
| Year ended 12-31-2016  | 1.00                                 | 0.13                           | 414   | 0.45  | 0.13   | 0.46  | 0.12  | —                             |

## **Ivy Variable Insurance Portfolios**

### **Custodian**

The Bank of New York Mellon  
One Wall Street  
New York, New York 10286-2501

### **Legal Counsel**

Stradley Ronon Stevens & Young, LLP  
191 N. Wacker Drive; Suite 1601  
Chicago, Illinois 60606-1890

### **Independent Registered**

#### **Public Accounting Firm**

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2001 Market Street  
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### **Investment Manager**

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### **Underwriter**

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### **Our INTERNET address is:**

<http://www.ivyinvestments.com>

## Ivy Variable Insurance Portfolios

You can get more information about each Portfolio in the —

- **Statement of Additional Information (SAI)**, which contains detailed information about the Portfolios, particularly the investment policies and practices. You may not be aware of important information about a Portfolio unless you read both the Prospectus and the SAI. The current SAI is on file with the SEC, and it is incorporated into this Prospectus by reference (that is, the SAI is legally part of the Prospectus).
- **Annual and Semiannual Reports to Shareholders**, which detail the Portfolios' actual investments and include financial statements as of the close of the particular annual or semiannual period. The Annual Report also contains a discussion of the market conditions and investment strategies that significantly affected each Portfolio's performance during the year covered by the report.

To request a copy of a Portfolio's current SAI or copies of its most recent Annual and Semiannual Reports, without charge, or for other inquiries, contact the Trust or Ivy Distributors, Inc. at the address and telephone number below. Copies of the SAI, Annual and/or Semiannual Reports also may be requested via e-mail at [prospectus.request@waddell.com](mailto:prospectus.request@waddell.com) and are available, without charge, at [www.ivyinvestments.com](http://www.ivyinvestments.com).

Information about the Portfolios (including the current SAI and most recent Annual and Semiannual Reports) is available from the SEC's web site at <http://www.sec.gov> and also may be obtained, after paying a duplicating fee, by electronic request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov).

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## IVY VARIABLE INSURANCE PORTFOLIOS

|   |         |          |
|---|---------|----------|
| Ivy VIP Asset Strategy  | Class I | Class II |
| Ivy VIP Balanced  |         | Class II |
| Ivy VIP Corporate Bond  |         | Class II |
| Ivy VIP Core Equity   |         | Class II |
| Ivy VIP Energy  | Class I | Class II |
| Ivy VIP Global Bond   |         | Class II |
| Ivy VIP Global Equity Income                                  |         | Class II |
| Ivy VIP Global Growth   |         | Class II |
| Ivy VIP Government Money Market                               |         | Class II |
| Ivy VIP Growth  |         | Class II |
| Ivy VIP High Income   | Class I | Class II |
| Ivy VIP International Core Equity                             |         | Class II |
| Ivy VIP Limited-Term Bond                                     |         | Class II |
| Ivy VIP Mid Cap Growth  | Class I | Class II |
| Ivy VIP Natural Resources                                     |         | Class II |
| Ivy VIP Science and Technology                                | Class I | Class II |
| Ivy VIP Securian Real Estate Securities                       |         | Class II |
| Ivy VIP Small Cap Core  |         | Class II |
| Ivy VIP Small Cap Growth                                      | Class I | Class II |
| Ivy VIP Value   |         | Class II |
| Ivy VIP Pathfinder Aggressive                                 |         | Class II |
| Ivy VIP Pathfinder Moderately Aggressive                      |         | Class II |
| Ivy VIP Pathfinder Moderate                                   |         | Class II |
| Ivy VIP Pathfinder Moderately Conservative                    |         | Class II |
| Ivy VIP Pathfinder Conservative                               |         | Class II |
| Ivy VIP Pathfinder Moderate—Managed Volatility                |         | Class II |
| Ivy VIP Pathfinder Moderately Aggressive—Managed Volatility   |         | Class II |
| Ivy VIP Pathfinder Moderately Conservative—Managed Volatility |         | Class II |

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**April 30, 2021**

### STATEMENT OF ADDITIONAL INFORMATION

Ivy Variable Insurance Portfolios (Trust) is an open-end management investment company that currently consists of 28 separate series. This Statement of Additional Information (SAI) provides disclosure for the series listed above (each, a Portfolio, and collectively, the Portfolios). This SAI is not a prospectus. Investors should read this SAI in conjunction with the prospectus for the Trust dated April 30, 2021 (Prospectus), which may be obtained, without charge, upon request, from the Trust or its underwriter, Ivy Distributors, Inc. (IDI), at the address or telephone numbers shown above.

This SAI incorporates by reference information that appears in the Portfolios' Annual Reports, which are delivered to all current shareholders. To obtain a copy of the Portfolios' most recent Annual and/or Semiannual Reports, without charge, contact the Trust or IDI at the address or telephone numbers above. Copies of the Annual and/or Semiannual Reports also may be requested via email at [prospectus.request@waddell.com](mailto:prospectus.request@waddell.com) and are available at [www.ivyinvestments.com](http://www.ivyinvestments.com).



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## TRUST HISTORY

Ivy Variable Insurance Portfolios was organized as a Delaware statutory trust on January 15, 2009, and is the successor to Ivy Funds Variable Insurance Portfolios, Inc., a Maryland corporation organized on December 2, 1986 (Corporation), pursuant to a reorganization on April 30, 2009. Each Portfolio is a series of the Trust and the successor to the corresponding series of the Corporation, except for Ivy VIP Global Bond and Ivy VIP Limited-Term Bond, which commenced operations on August 23, 2010, and Ivy VIP Pathfinder Moderate — Managed Volatility, Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility and Ivy VIP Pathfinder Moderately Conservative — Managed Volatility (each, a Managed Volatility Portfolio), which commenced operations on July 31, 2013. The name of each Portfolio begins with “Ivy VIP,” for example, Ivy VIP Asset Strategy. Prior to September 30, 2016, the name of each Portfolio then in existence began with “Ivy Funds VIP,” (e.g., Ivy Funds VIP Asset Strategy).

In addition:

- Prior to January 1, 2015, Ivy VIP Global Growth was known as Ivy Funds VIP International Growth.
- Prior to October 14, 2016, Ivy VIP Government Money Market was known as Ivy VIP Money Market.
- Prior to April 28, 2017, Ivy VIP Natural Resources was known as Ivy VIP Global Natural Resources, Ivy VIP Advantus Real Estate Securities was known as Ivy VIP Real Estate Securities and Ivy VIP Small Cap Core was known as Ivy VIP Small Cap Value.
- Prior to April 30, 2018, Ivy VIP Corporate Bond was known as Ivy VIP Bond and Ivy VIP Securian Real Estate Securities was known as Ivy VIP Advantus Real Estate Securities.
- Also prior to April 30, 2018, Ivy VIP Global Equity Income was known as Ivy VIP Dividend Opportunities; on that date the Portfolio changed its name, investment objective and principal investment strategies to invest primarily in equity securities that are issued by companies of any size, located largely in developed markets around the world.

### Notice of Acquisition:

On December 2, 2020, Waddell & Reed Financial, Inc. (“WDR”), the parent company of Ivy Investment Management Company (“IICO”), and Macquarie Group Limited, including its asset management division Macquarie Asset Management (together, “Macquarie”), announced that they had entered into an agreement whereby Macquarie will acquire WDR (the “Transaction”). The Transaction is subject to customary closing conditions, including receipt of applicable regulatory approvals. This is subject to change.

Under the Investment Company Act of 1940, as amended (1940 Act), closing of the Transaction will result in the automatic termination of each Portfolio’s investment advisory agreement with IICO, and any related sub-advisory contract(s), where applicable. The Board of Trustees of the Trust (Board) recently approved a new investment advisory agreement (and new sub-advisory agreement(s)). The new investment advisory agreement (and new sub-advisory agreement(s)) also were approved by shareholders of each Portfolio at a meeting held on April 1, 2021 and will take effect upon the closing of the Transaction.

## THE PORTFOLIOS, THEIR INVESTMENTS, RELATED RISKS AND RESTRICTIONS

Each Portfolio is a mutual fund, an investment that pools shareholders’ money and invests it toward a specified objective. Each Portfolio has its own objective(s) and investment policies. The Trust sells its shares only to the separate accounts of certain select insurance companies (Participating Insurance Companies) to fund certain variable life insurance policies and variable annuity contracts (Policies).

This SAI supplements the information contained in the Prospectus and contains more detailed information about the investment strategies and policies that the Trust’s investment manager, IICO, or a Portfolio’s investment subadviser (Subadviser), if applicable (IICO or a Subadviser, also referred to herein as the Investment Manager), may employ and the types of instruments in which a Portfolio may invest in pursuit of the Portfolio’s objective(s). A summary of the risks associated with these instrument types and investment practices is included as well.

Unless otherwise indicated, the Investment Manager may buy the types of instruments and use the investment techniques described below, subject to any applicable investment policies and restrictions. The Investment Manager might not buy all of these instruments or use all of these techniques, or use them to the full extent permitted by a Portfolio's investment policies and restrictions. The Investment Manager buys an instrument or uses a technique only if it believes that doing so is in pursuit of a Portfolio's objective(s). See *Investment Restrictions* for a listing of the fundamental and non-fundamental, or operating, policies.

## Recent Market Conditions

Following the financial crisis in 2008, the U.S. and many foreign economies experienced after-effects, which resulted in volatility in the financial markets, both U.S. and foreign. At times, these market conditions have resulted, and may continue to result, in fixed-income instruments experiencing unusual liquidity issues, increased price volatility and, in some cases, credit downgrades and increased likelihood of default. These events have reduced the willingness and ability of some lenders to extend credit, and have made it more difficult for borrowers to obtain financing on attractive terms, if at all. In some cases, traditional market participants have been less willing to make a market in some types of debt instruments, which has affected the liquidity of those instruments. During times of market turmoil, investors tend to look to the safety of securities issued or backed by the U.S. Department of the Treasury (Treasury), causing the prices of these securities to rise and the yields to decline. The reduced liquidity in fixed-income and credit markets may negatively affect many issuers worldwide. Illiquidity in these markets may mean there is less money available to purchase raw materials and goods and services, which may, in turn, bring down the prices of these economic staples. The values of some sovereign debt and of securities of issuers that hold that sovereign debt have fallen. In addition, global economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country or region might adversely impact issuers in a different country or region.

Since the financial crisis, it may be unusually difficult to identify both risks and opportunities using past models of the interplay of market forces, or to project the duration of market conditions. The severity or duration of these conditions also may be affected by policy changes made by governments or quasi-governmental organizations. Changes in market conditions will not have the same impact on all types of securities.

Further, political events within the U.S. and abroad may affect investor and consumer confidence and may adversely impact financial markets and the broader economy, perhaps suddenly and to a significant degree. In particular, the impact of financial regulation legislation by governments or quasi-governmental organizations on the markets and the practical implications for market participants may not be fully known for some time.

Interest rates have been unusually low in recent years in the U.S. and abroad. In December 2015, the Federal Open Market Committee of the Federal Reserve raised the target range for the federal funds rate, marking only the second such interest rate hike in nearly a decade. The Federal Reserve subsequently raised the target range eight additional times since then, most recently in December 2018, before lowering the rate three times in 2019. In response to the impact of COVID-19, in March 2020 the Federal Reserve announced cuts to the target range of the federal funds rate and a new round of quantitative easing. Because there is little precedent for this situation, it is difficult to predict the impact of these rate changes and any future rate changes on various markets. Changes to the monetary policy by the Federal Reserve or other regulatory actions could expose fixed income and related markets to heightened volatility, interest rate sensitivity, and reduced liquidity, which may impact a Portfolio's operations and return potential. Changes in interest rates may impact various markets. The impact of these rate cuts and increases and any future rate changes on various markets remains difficult to predict. In addition, there is the risk that the prices of goods and services in the U.S. and many foreign economies may decline over time, which is known as deflation (the opposite of inflation). Deflation may have an adverse effect on stock prices and creditworthiness, and may make defaults on debt more likely. If a country's economy slips into a deflationary pattern, it could last for a prolonged period and may be difficult to reverse.

The risk of investing in Europe may be heightened due to the decision by the United Kingdom (UK) to withdraw from the EU (commonly referred to as "Brexit"). The UK formally left the EU on January 31, 2020, and a "transition period," which was intended to allow for negotiation and implementation of new trade and other cooperative agreements, expired on December 31, 2020. The long-term impact of Brexit on the relationship between the UK and the EU remains uncertain. The uncertainty concerning the relationship between the UK and the EU (as well as political divisions within the UK that

have been highlighted by the 2016 Brexit referendum) could cause a period of instability and market volatility, which may adversely impact both the UK economy and the economies of other countries in Europe, as well as greater volatility in the global financial and currency markets. Brexit also may trigger additional member states to consider departing the EU, which would likely perpetuate such political and economic instability in the region. While it is not possible to determine the precise impact these events may have on a Portfolio in the aftermath of Brexit, the impact on the UK and European economies and the broader global economy could be significant, resulting in negative impacts, such as increased volatility and illiquidity, and potentially lower economic growth, on markets in the UK, Europe and globally, which may adversely affect the value of a Portfolio's investments. In addition, Brexit can create actual or perceived additional economic stresses for the UK, including potential for decreased trade, capital outflows, devaluation of the British pound, wider corporate bond spreads due to uncertainty, and possible declines in business and consumer spending, as well as foreign direct investment. Moreover, the UK is one of the EU's largest economies; its departure also may negatively impact the EU and Europe by triggering prolonged economic downturns in certain European countries or sparking additional member states to contemplate departing the EU (thereby perpetuating political instability in the region). If one or more other countries were to exit the EU or abandon the use of the euro as a currency, the value of investments tied to those countries or the euro could decline significantly and unpredictably.

It is impossible to predict the effects of these or similar events in the future on the Portfolios, though it is possible that these or similar events could have a significant adverse impact on the net asset value (NAV) and/or risk profile of a Portfolio.

### **Ivy VIP Pathfinder Portfolios and Managed Volatility Portfolios**

Each of Ivy VIP Pathfinder Aggressive, Ivy VIP Pathfinder Moderately Aggressive, Ivy VIP Pathfinder Moderate, Ivy VIP Pathfinder Moderately Conservative, and Ivy VIP Pathfinder Conservative (each, a Pathfinder Portfolio) and each Managed Volatility Portfolio is a fund of funds. Each invests primarily in a combination of other Portfolios that are not fund of funds (Underlying Funds), as described in the Prospectus.

Each Managed Volatility Portfolio also allocates a portion of its assets in a volatility management strategy that is intended to manage the volatility of the Managed Volatility Portfolio's equity returns.

#### ***Other Direct Investments of the Pathfinder Portfolios and the Managed Volatility Portfolios***

Each Pathfinder Portfolio and Managed Volatility Portfolio may invest directly in securities issued or guaranteed by the U.S. government or its agencies or instrumentalities (U.S. government securities), commercial paper and other short-term corporate obligations and other money market instruments, including repurchase agreements. Under normal circumstances, each Pathfinder Portfolio and each Managed Volatility Portfolio anticipates investments in these securities and instruments to be minimal.

The volatility management strategy of each Managed Volatility Portfolio is managed by an investment subadviser, Securian Asset Management, Inc. (Securian AM), through investments in exchange-traded futures contracts on certain equity indices.

### **Ivy VIP Government Money Market**

As a money market fund that uses the amortized cost method of valuing its portfolio securities, the Portfolio must comply with Rule 2a-7 (Rule 2a-7) under the 1940 Act. Among the primary conditions under Rule 2a-7, investments, including repurchase agreements, are limited to those that are U.S. dollar-denominated and which IICO, pursuant to guidelines established by the Board, determines present minimal credit risks. In addition, Rule 2a-7 limits investments in securities of any one issuer (except securities issued by the U.S. government or its agencies or instrumentalities (U.S. government securities)) to no more than 5% of the Portfolio's total assets. In accordance with Rule 2a-7, the Portfolio may invest in securities with a remaining maturity of not more than 397 calendar days and the Portfolio must maintain a dollar-weighted average fund maturity that does not exceed 60 calendar days.

The Portfolio intends to qualify as a "government money market fund," as such term is defined in or interpreted under Rule 2a-7. As a government money market fund, the Portfolio will invest, under normal circumstances, at least 99.5% of

its total assets in: (1) debt securities issued or guaranteed by the United States or certain U.S. government agencies or instrumentalities (government securities), (2) repurchase agreements that are fully collateralized by cash and/or government securities, and/or (3) cash. In addition, as a government money market fund, the Portfolio will continue to seek to maintain a stable NAV of \$1.00 per share. Government money market funds also are exempt from requirements that permit money market funds to impose liquidity fees and/or temporary redemption gates. While the Board may elect in the future to subject the Portfolio to liquidity fees or redemption gates, the Board has not elected to do so at this time and has no current intention to do so. In conformance with Rule 2a-7, the Board has reserved its ability to change this policy with respect to liquidity fees and/or redemption gates, but such change would only become effective after shareholders were provided with specific advance notice of a change in the Portfolio's policy.

The Portfolio may invest only in U.S. dollar denominated securities that are "Eligible Securities" (as defined in Rule 2a-7), which are securities with a remaining maturity of 397 calendar days or less (with certain exceptions permitted by applicable regulations) that IICO (subject to oversight and pursuant to guidelines established by the Board) determines present minimal credit risks to the Portfolio. The Portfolio maintains a dollar-weighted average portfolio maturity of no more than 60 calendar days, and a dollar-weighted average portfolio maturity as determined without exceptions regarding certain interest rate adjustments under Rule 2a-7 of no more than 120 calendar days. The maturity of a security is determined in compliance with Rule 2a-7, which for purposes of the dollar-weighted average portfolio maturity permits, among other things, certain securities bearing adjustable interest rates to be deemed to have a maturity shorter than their stated maturity.

Under Rule 2a-7, the Portfolio must hold securities that are sufficiently liquid to meet reasonably foreseeable shareholder redemptions and any commitments the Portfolio has made to shareholders. In addition, the Portfolio may not acquire an illiquid security if, immediately after the acquisition, the Portfolio would have invested more than 5% of its total assets in illiquid securities. The Portfolio also may not acquire any security other than a "Daily Liquid Asset" (defined as cash, government securities, other securities that will mature or are subject to a demand feature that is exercisable and payable within one business day and amounts receivable and unconditionally due within one business day on pending sales of portfolio securities) if, immediately after the acquisition, the Portfolio would have invested less than 10% of its total assets in Daily Liquid Assets. The Portfolio may not acquire any security other than a "Weekly Liquid Asset" (defined as cash, direct obligations of the U.S. government, government securities issued by a person controlled or supervised by and acting as an instrumentality of the U.S. government pursuant to authority granted by the Congress, that are issued at a discount to the principal amount to be repaid at maturity and have a remaining maturity of 60 calendar days or fewer, securities that will mature or are subject to a demand feature that is exercisable and payable within 5 business days and, amounts receivable and unconditionally due within 5 business days on pending sales of portfolio securities) if, immediately after the acquisition, the Portfolio would have invested less than 30% of its total assets in Weekly Liquid Assets.

The Portfolio may invest in the other instruments listed below, provided such investments are consistent with its 99.5% policy and Rule 2a-7:

- (1) Bank Obligations and Instruments Secured Thereby:** Subject to the limitations described above, time deposits, certificates of deposit, bankers' acceptances and other bank obligations if they are obligations of a bank subject to regulation by the U.S. government (including obligations issued by foreign branches of these banks) or obligations issued by a foreign bank having total assets equal to at least U.S. \$500,000,000, and instruments secured by any such obligation.

A bank includes commercial banks and savings and loan associations. Time deposits are monies kept on deposit with U.S. banks or other U.S. financial institutions for a stated period of time at a fixed rate of interest. There may be penalties for the early withdrawal of such time deposits, in which case, the yield of these investments will be reduced.

- (2) Commercial Paper Obligations Including Floating Rate Securities and Variable Rate Master Demand Notes:** Commercial paper that IICO has determined presents minimal credit risks. A floating rate security has an interest rate that changes whenever there is a change in a designated base rate. A variable rate master demand note represents a purchasing/selling arrangement of short-term promissory notes under a letter



agreement between a commercial paper issuer and an institutional investor.

- (3) Corporate Debt Obligations:** Corporate debt obligations that IICO has determined present minimal credit risks.
- (4) Foreign Obligations and Instruments:** Subject to the diversification requirements applicable to the Portfolio under Rule 2a-7, the Portfolio may invest in foreign bank obligations, obligations of foreign branches of U.S. banks, obligations guaranteed by a bank or a corporation in whose obligations the Portfolio may invest and commercial paper of an approved foreign issuer. Each of these obligations must be U.S. dollar-denominated. Investments in obligations of U.S. branches of foreign banks will be considered to be U.S. securities if IICO has determined that the nature and extent of federal and state regulation and supervision of the branch in question is substantially equivalent to federal- and state-chartered or U.S. banks doing business in the same jurisdiction.
- (5) Municipal Securities:** Municipal securities that IICO has determined present minimal credit risks and are otherwise permissible under Rule 2a-7.
- (6) Certain Other Obligations:** Obligations other than those listed in (1) through (5) only if any such other obligation is guaranteed as to principal and interest by either a bank in whose obligations the Portfolio may invest (see (1) above) or a corporation in whose commercial paper the Portfolio may invest (see (2) above) and otherwise permissible under Rule 2a-7.

The value of the obligations and instruments in which the Portfolio invests will fluctuate depending in large part on changes in prevailing interest rates. If these rates go up after the Portfolio buys an obligation or instrument, its value may go down; if these rates go down, its value may go up. Changes in value and yield based on changes in prevailing interest rates may have different effects on short-term debt obligations than on long-term obligations. Long-term obligations (which often have higher yields) may fluctuate in value more than short-term ones. Changes in interest rates will be more quickly reflected in the yield of a portfolio of short-term obligations than in the yield of a portfolio of long-term obligations.

## Securities — General

The main types of securities in which a Portfolio may invest, subject to its investment policies and restrictions, include common stocks, preferred stocks, debt securities, and convertible securities. Although common stocks and other equity securities have a history of long-term growth in value, their prices tend to fluctuate in the short term, particularly those of smaller companies. The equity securities in which a Portfolio invests may include preferred stock that converts into common stock. A Portfolio also may invest in preferred stocks rated in any rating category of the nationally recognized statistical rating organizations (NRSROs) or unrated preferred stocks, subject to the investment policies and restrictions of the Portfolio. Debt securities have varying levels of sensitivity to changes in interest rates and varying degrees of quality. As a general matter, however, when interest rates rise, the values of fixed-rate debt securities fall and, conversely, when interest rates fall, the values of fixed-rate debt securities rise. Similarly, debt securities with longer maturities generally are more sensitive to interest rate changes than debt securities with shorter maturities.

Subject to its investment policies and restrictions, a Portfolio (other than Ivy VIP Government Money Market) may invest in debt securities rated in any rating category of the NRSROs, including securities rated in the lowest category (securities rated D by S&P Global Ratings, a division of S&P Global, Inc. (S&P) or comparably rated by another NRSRO). Debt securities rated D by S&P or comparably rated by another NRSRO are in payment default or are regarded as having extremely poor prospects of ever attaining any real investment standing. Debt securities rated at least BBB- by S&P or comparably rated by another NRSRO are considered to be investment grade debt securities; however, securities rated BBB- or comparably rated by another NRSRO may have speculative characteristics and involve greater risk of default or price changes. In addition, a Portfolio will treat unrated securities determined by the Investment Manager to be of comparable quality to a rated security as having that rating. In the case of a “split-rated” security, which results when NRSROs rate the security at different rating levels (*e.g.*, BBB by S&P and a higher or lower rating by another NRSRO), it is the general policy of each Portfolio to classify such security at the lower rating level if only two ratings are available. If more than two ratings are available and a median exists, the median is used. If more than two ratings exist without a median, the lower of the two middle ratings is used.

While credit ratings are only one factor the Investment Manager relies on in evaluating high-yield (low-rated) debt securities, certain risks are associated with credit ratings. Credit ratings evaluate the safety of principal and interest payments, not market value risk. Credit ratings for individual securities may change from time to time, and a Portfolio may retain a portfolio security whose rating has been changed. In addition, a credit rating may become stale in that it fails to reflect changes in an issuer's financial condition. Credit ratings represent the NRSRO's opinion regarding the quality of the security and are not a guarantee of quality. See *Appendix A* to this SAI for a description of these ratings.

Subject to its investment policies and restrictions, a Portfolio (other than Ivy VIP Government Money Market) may purchase debt securities whose principal amount at maturity is dependent upon the performance of a specified equity security (commonly called "equity-linked debt securities"). The issuer of such debt securities is unaffiliated with the issuer of the equity security to whose performance the debt security is linked. Equity-linked debt securities differ from ordinary debt securities in that the principal amount received at maturity is not fixed, but is based on the price of the linked equity security at the time the debt security matures. The performance of equity-linked debt securities depends primarily on the performance of the linked equity security and also may be influenced by interest rate changes. In addition, although equity-linked debt securities typically are adjusted for diluting events such as stock splits, stock dividends and certain other events affecting the market value of the linked equity security, the debt securities are not adjusted for subsequent issuances of the linked equity security for cash. Such an issuance could adversely affect the price of the debt security. In addition to the equity risk relating to the linked equity security, such debt securities also are subject to credit risk with regard to the issuer of the debt security. In general, however, such debt securities are less volatile than the equity securities to which they are linked.

Debt securities may be unsecured and structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness. Other factors may materially and adversely affect the market price and yield of such debt investments, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions. Subject to its investment policies and restrictions, certain of the debt instruments in which a Portfolio may invest may have speculative characteristics. Debt securities may be subject to credit risk, duration risk, extension risk, income risk, interest rate risk, liquidity risk and reinvestment risk, among other risks.

Subject to its investment policies and restrictions, a Portfolio (other than Ivy VIP Government Money Market) may invest in convertible securities. A convertible security is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. Convertible securities generally have higher yields than common stocks of the same or similar issuers, but lower yields than comparable nonconvertible securities, are less subject to fluctuation in value than the underlying stock because they have fixed-income characteristics, and provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value. A convertible security may be subject to redemption at the option of the issuer at a price established in the security's offering document. If a convertible security held by a Portfolio is called for redemption, such Portfolio will be required to convert it into the underlying stock, sell it to a third party or permit the issuer to redeem the security. Convertible securities typically are issued by smaller capitalized companies whose stock prices may be volatile. Thus, any of these actions could have an adverse effect on the ability of a Portfolio to achieve its investment objective(s).

Subject to its investment policies and restrictions, a Portfolio also may invest in contingent convertible securities (CoCos). CoCos are a form of hybrid debt security that are intended to either convert into equity or have their principal written down upon the occurrence of certain "triggers." The triggers generally are linked to regulatory capital thresholds or regulatory actions calling into question the issuing banking institution's continued viability as a going concern. CoCos'

unique equity conversion or principal write-down features are tailored to the issuing banking institution and its regulatory requirements. Some additional risks associated with CoCos include, but are not limited to:

- Loss absorption risk. CoCos have fully discretionary coupons. This means coupons can potentially be cancelled at the banking institution's discretion or at the request of the relevant regulatory authority in order to help the bank absorb losses.
- Subordinated instruments. CoCos, in the majority of circumstances, will be issued in the form of subordinated debt instruments in order to provide the appropriate regulatory capital treatment prior to a conversion. Accordingly, in the event of liquidation, dissolution or winding-up of an issuer prior to a conversion having occurred, the rights and claims of the holders of the CoCos, such as the Portfolios, against the issuer in respect of or arising under the terms of the CoCos generally shall rank junior to the claims of all holders of unsubordinated obligations of the issuer. In addition, if the CoCos are converted into the issuer's underlying equity securities following a conversion event (*i.e.*, a "trigger"), each holder will be subordinated due to their conversion from being the holder of a debt instrument to being the holder of an equity instrument.
- Market value will fluctuate based on unpredictable factors. The value of CoCos is unpredictable and will be influenced by many factors including, without limitation: (i) the creditworthiness of the issuer and/or fluctuations in such issuer's applicable capital ratios; (ii) supply and demand for the CoCos; (iii) general market conditions and available liquidity; and (iv) economic, financial and political events that affect the issuer, its particular market or the financial markets in general.

Subject to its investment policies and restrictions, a Portfolio (other than Ivy VIP Government Money Market) also may invest in a type of convertible preferred stock that pays a cumulative, fixed dividend that is senior to, and expected to be in excess of, the dividends paid on the common stock of the issuer. At the mandatory conversion date, the preferred stock is converted into not more than one share of the issuer's common stock at the call price that was established at the time the preferred stock was issued. If the price per share of the related common stock on the mandatory conversion date is less than the call price, the holder of the preferred stock will nonetheless receive only one share of common stock for each share of preferred stock (plus cash in the amount of any accrued but unpaid dividends). At any time prior to the mandatory conversion date, the issuer may redeem the preferred stock upon issuing to the holder a number of shares of common stock equal to the call price of the preferred stock in effect on the date of redemption divided by the market value of the common stock, with such market value typically determined 1 or 2 trading days prior to the date notice of redemption is given. The issuer also must pay the holder of the preferred stock cash in an amount equal to any accrued but unpaid dividends on the preferred stock. This convertible preferred stock is subject to the same market risk as the common stock of the issuer, except to the extent that such risk is mitigated by the higher dividend paid on the preferred stock. The opportunity for equity appreciation afforded by an investment in such convertible preferred stock, however, is limited, because in the event the market value of the issuer's common stock increases to or above the call price of the preferred stock, the issuer may (and would be expected to) call the preferred stock for redemption at the call price. This convertible preferred stock also is subject to credit risk with regard to the ability of the issuer to pay the dividend established upon issuance of the preferred stock. Generally, however, the market value of the convertible preferred stock is less volatile than the related common stock of the issuer.

Certain unanticipated events, such as natural disasters, terrorist attacks, war, and other geopolitical events, can have a dramatic adverse effect on securities held by a Portfolio.

### ***Operational Risks***

The Portfolios and their service providers may be prone to operational and information security risks resulting from, among other problems, human errors, systems and technology disruptions or failures, or breaches in cybersecurity. The occurrence of any of these problems could result in a loss of information, regulatory scrutiny, reputational damage and other consequences, any of which could have a material adverse effect on a Portfolio or its shareholders. A breach in cybersecurity may be either an intentional or unintentional event that allows an unauthorized party to gain access to fund assets, customer data or proprietary information, or cause a Portfolio or its service providers to suffer data corruption or lose operational functionality. A breach in cybersecurity may include, among other events, stealing or corrupting customer data or funds, denial of service attacks on websites that prohibit access to electronic systems by customers or employees, the unauthorized release of confidential information or various other forms of cybersecurity breaches.

Cybersecurity breaches affecting the Portfolios, IICO, a Portfolio's Subadviser, or a Portfolio's custodian, transfer agent, intermediaries and other third-party service providers may adversely impact the Portfolios and their shareholders. For instance, breaches in cybersecurity may interfere with the processing of shareholder transactions, including the ability to buy and sell shares, impact the ability of the Portfolios to calculate their NAVs, cause the release of private shareholder information or confidential business information, impede trading, subject the Portfolios or their service providers to regulatory fines or financial losses and/or cause reputational damage. The Portfolios also may incur additional costs for cybersecurity risk management purposes. Similar types of cybersecurity risks also are present for issues or securities in which the Portfolios may invest, which could result in material adverse consequences for such issuers, and may cause the Portfolios' investment in such companies to lose value. In addition, adverse consequences could result from cybersecurity incidents affecting counterparties with which a Portfolio engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies, and other financial institutions and other parties.

### **Specific Securities and Investment Practices— each Portfolio except the Pathfinder Portfolios and the Managed Volatility Portfolios (except as noted herein)**

#### ***Banking Industry and Savings and Loan Obligations***

Certificates of deposit are certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified return. Bankers' acceptances are negotiable drafts or bills of exchange, normally drawn by an importer or exporter to pay for specific merchandise, which are "accepted" by a bank (meaning, in effect, that the bank unconditionally agrees to pay the face value of the instrument at maturity). In addition to investing in certificates of deposit and bankers' acceptances, each Portfolio may invest in time deposits in banks or savings and loan associations. Time deposits generally are similar to certificates of deposit, but are uncertificated. Each Portfolio's investments in certificates of deposit, time deposits, and bankers' acceptances are limited to obligations of (i) U.S. banks having total assets in excess of \$500,000,000 (as of the date of their most recent financial statements at the time of investment), (ii) U.S. banks which do not meet the \$500,000,000 asset requirement, if the principal amount of such obligation is fully insured by the Federal Deposit Insurance Corporation (FDIC), (iii) savings and loan associations which have total assets in excess of \$500,000,000 and which are members of the FDIC, and (iv) foreign banks if the obligation is, in the opinion of the Investment Manager, of an investment quality comparable to other debt securities which may be purchased by the Portfolio. Each Portfolio's investments in certificates of deposit of savings associations are limited to obligations of federal or state-chartered institutions whose total assets exceed \$500,000,000 and whose deposits are insured by the FDIC. Bank deposits are not marketable, and a Portfolio may invest in them subject to its investment restrictions regarding illiquid investments, unless such obligations are payable at principal amount plus accrued interest on demand or within 7 days after demand.

#### ***Borrowing***

Each Portfolio may borrow money only as permitted under the 1940 Act, the rules and regulations thereunder and any applicable exemptive relief. Proceeds from borrowings will be used for temporary, extraordinary or emergency purposes, including temporary purposes associated with the Interfund Lending Program discussed below. Interest on money borrowed is an expense the Portfolio would not otherwise incur, and as a result, it may have reduced net investment income during periods of outstanding borrowings. If a Portfolio does borrow money, its share price may be subject to greater fluctuation until the borrowing is paid off.

#### ***Credit-Linked Notes***

Subject to its investment policies and restrictions, a Portfolio may invest in credit-linked notes. A credit-linked note is a structured note whose value is linked to an underlying reference asset. Credit-linked notes typically provide periodic payments of interest, as well as payment of principal upon maturity. The value of the periodic payments and the principal amount payable upon maturity are tied (positively or negatively) to a reference asset, such as an index, government bond, interest rate or currency exchange rate. The ongoing payments and principal upon maturity typically will increase or decrease depending on increases or decreases in the value of the reference asset. A credit-linked note typically is issued by a limited purpose trust or other vehicle and is a direct obligation of the issuing entity. The limited purpose trust or other vehicle, in turn, invests in bonds or a derivative or basket of derivative instruments, such as credit default swaps, interest rate swaps and/or other securities, to provide the exposure set forth in the credit-linked note. The periodic interest



payments and principal obligations payable under the terms of the note typically are conditioned upon the entity's receipt of payments on its underlying investment. If the underlying investment defaults, the periodic payments and principal received by the Portfolios will be reduced or eliminated. The buyer of a credit-linked note assumes the risk of default by the issuer and the underlying reference asset or entity. Generally, investors in credit-linked notes assume the risk of default by the issuer and the reference entity in return for a potentially higher yield on their investment or access to an investment that they could not otherwise obtain. In the event the issuer defaults or there is a credit event that relates to the reference asset, the recovery rate generally is less than a Portfolio's initial investment, and the Portfolio may lose money.

### ***Foreign Securities and Currencies***

**Foreign Securities.** Subject to its investment policies and restrictions, a Portfolio may invest in the securities of foreign issuers, including depositary receipts. In general, depositary receipts are securities convertible into and evidencing ownership of securities of foreign corporate issuers, although depositary receipts may not necessarily be denominated in the same currency as the securities into which they may be converted. American depositary receipts (ADRs), in registered form, are U.S. dollar-denominated receipts typically issued by a U.S. bank representing ownership of a specific number of shares in a non-U.S. corporation. ADRs are quoted and traded in U.S. dollars in the U.S. securities market. An ADR is sponsored if the original issuing company has selected a single U.S. bank to serve as its U.S. depositary and transfer agent. This relationship requires a deposit agreement which defines the rights and duties of both the issuer and depositary. Companies that sponsor ADRs also must provide their ADR investors with English translations of company information made public in their own country of domicile. Sponsored ADR investors also generally have the same voting rights as ordinary shareholders, barring any unusual circumstances. ADRs which meet these requirements can be listed on U.S. stock exchanges. Unsponsored ADRs typically are created at the initiative of a broker or bank reacting to demand for a specific foreign stock. The broker or bank purchases the underlying shares and deposits them in a depositary. Unsponsored shares issued after 1983 are not eligible for U.S. stock exchange listings, and they generally do not include voting rights.

Global depositary receipts and European depositary receipts, in bearer form, are foreign receipts evidencing a similar arrangement and are designed for use by non-U.S. investors and traders in non-U.S. markets. Global depositary receipts are designed to facilitate the trading of securities of foreign issuers by U.S. and non-U.S. investors and traders.

The Investment Manager believes that investing in foreign securities involves investment opportunities as well as risks. Individual foreign economies may differ favorably or unfavorably from the U.S. economy or each other in such matters as gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Individual foreign companies also may differ favorably or unfavorably from U.S. companies in the same industry. Foreign currencies may be stronger or weaker than the U.S. dollar or than each other. Thus, the value of securities denominated in or indexed to foreign currencies, and the value of dividends and interest from such securities, can change significantly when foreign currencies strengthen or weaken relative to the U.S. dollar.

The Investment Manager believes that a Portfolio's ability to invest its assets abroad might enable it to take advantage of these differences and strengths.

However, foreign securities and foreign currencies involve additional significant risks, apart from the risks inherent in U.S. investments. Foreign securities markets generally have less trading volume and less liquidity than U.S. markets, and prices on some foreign markets can be highly volatile. Many foreign countries lack uniform accounting and disclosure standards comparable to those applicable to U.S. companies, and it may be more difficult to obtain reliable information regarding an issuer's financial conditions and operations. In addition, the costs of foreign investing, including withholding taxes, brokerage commissions and custodial costs, generally are higher than for U.S. investments.

Foreign markets may offer less protection to investors than U.S. markets. Foreign issuers, brokers and securities markets may be subject to less government supervision. Foreign securities trading practices, including those involving the release of assets in advance of payment, may involve increased risks in the event of a failed trade or the insolvency of a broker-dealer, and may involve substantial delays. It also may be difficult to enforce legal rights in foreign countries.



Securities of issuers traded on exchanges may be suspended, either by the issuers themselves, by an exchange or by governmental authorities. Trading suspensions may be applied from time to time to the securities of individual issuers for reasons specific to that issuer, or may be applied broadly by exchanges or governmental authorities in response to market events. In the event that a Portfolio holds material positions in such suspended securities, the Portfolio's ability to liquidate its positions or provide liquidity to investors may be compromised and the Portfolio could incur significant losses.

Investing abroad also involves different political and economic risks. Foreign investments may be affected by actions of foreign governments adverse to the interests of U.S. investors, including: the possibility of expropriation or nationalization of assets; confiscatory taxation; restrictions on U.S. investment or on the ability to repatriate assets or convert currency into U.S. dollars (which also may affect the liquidity of such investments), such as those applicable to certain investments in China; or other government intervention. There may be greater possibility of default by foreign governments or government-sponsored enterprises. Investments in foreign countries also involve a risk of local political, economic, or social instability, military action or unrest, or adverse diplomatic developments. There is no assurance that the Investment Manager will be able to anticipate these potential events or counter their effects.

Certain foreign securities impose restrictions on transfer within the United States or to U.S. persons. Although securities subject to transfer restrictions may be marketable abroad, they may be less liquid than foreign securities of the same class that are not subject to such restrictions.

As a general rule, the country designation for a security for purposes of a Portfolio's investment policies and restrictions regarding foreign securities is the issuer's country of domicile, as indicated by a third-party source (*e.g.*, Bloomberg L.P.). However, pursuant to IICO's compliance procedures, the Investment Manager may request a different country designation due to certain identified circumstances. For example, an issuer's country designation could be changed if (i) the issuer derived at least 50% of its revenues or profits in a country other than the country of domicile; (ii) the issuer has at least 50% of its assets in a country other than the country of domicile; or (iii) the issuer's stock (security) principally is traded (based on total volume traded) in a country other than the country of domicile, provided the issuer does not have more than 50% of its revenues/profits or assets sourced in a single country.

Investments in obligations of U.S. branches of foreign banks will be considered U.S. securities if the Investment Manager has determined that the nature and extent of federal and state regulation and supervision of the branch in question are substantially equivalent to federal or state-chartered U.S. banks doing business in the same jurisdiction.

**Foreign Currencies.** Subject to its investment policies and restrictions, a Portfolio may purchase and sell foreign currency and invest in foreign currency deposits and may enter into forward currency contracts. The Portfolios may incur a transaction charge in connection with the exchange of currency. Currency conversion involves dealer spreads and other costs, although commissions usually are not charged.

Investment in foreign securities usually will involve currencies of foreign countries. Moreover, subject to its investment policies and restrictions, a Portfolio (other than Ivy VIP Government Money Market) may hold funds temporarily in bank deposits in foreign currencies during the completion of investment programs and may purchase and sell forward foreign currency contracts. Because of these factors, the value of the assets of a Portfolio as measured in U.S. dollars may be affected favorably or unfavorably by changes in foreign currency exchange rates and exchange control regulations, and a Portfolio may incur costs in connection with conversions between various currencies. Although a Portfolio's custodian values the Portfolio's assets daily in terms of U.S. dollars, the Portfolio does not intend to convert its holdings of foreign currencies into U.S. dollars on a daily basis, and for certain investments, there may be restrictions imposed by a foreign government on the conversion of its currency to U.S. dollars (or other currencies). Generally, however, a Portfolio will convert its holdings of foreign currencies into U.S. dollars, and investors should be aware of the costs of currency conversion. Although foreign exchange dealers do not charge a fee for conversion, they do realize a profit based on the difference (the "spread") between the prices at which they are buying and selling various currencies, which can include other transaction costs. Thus, a dealer may offer to sell a foreign currency to a Portfolio at one rate, while offering a lesser rate of exchange should the Portfolio desire to resell that currency to the dealer. A Portfolio will conduct its foreign currency exchange transactions either on a spot (that is, cash) basis at the spot rate prevailing in the foreign currency exchange market, or through entering into forward contracts to purchase or sell foreign currencies. For more information

regarding a Portfolio's use of forward contracts to purchase or sell foreign currencies, see *Options, Futures and Other Derivatives Strategies — Forward Currency Contracts*.

Because a Portfolio may invest in both U.S. and foreign securities markets, subject to its investment policies and restrictions, changes in the Portfolio's share price may have a low correlation with movements in U.S. markets. Each Portfolio's share price will reflect the movements of the different markets in which it invests (both U.S. and foreign), and of the currencies in which the investments are denominated. Thus, the strength or weakness of the U.S. dollar against foreign currencies may account for part of a Portfolio's investment performance. U.S. and foreign securities markets do not always move in step with each other, and the total returns from different markets may vary significantly. Currencies in which a Portfolio's assets are denominated may be devalued against the U.S. dollar, resulting in a loss to the Portfolio.

A Portfolio usually effects currency exchange transactions on a spot (that is, cash) basis at the spot rate prevailing in the foreign exchange market. However, some price spread on currency exchange will be incurred when the Portfolio converts assets from one currency to another. Further, a Portfolio may be affected either unfavorably or favorably by fluctuations in the relative rates of exchange between the currencies of different nations. For example, in order to realize the value of a foreign investment, the Portfolio must convert that value, as denominated in its foreign currency, into U.S. dollars using the applicable currency exchange rate. The exchange rate represents the current price of a U.S. dollar relative to that foreign currency; that is, the amount of such foreign currency required to buy one U.S. dollar. If a Portfolio holds a foreign security which has appreciated in value as measured in the foreign currency, the level of appreciation actually realized by the Portfolio may be reduced or even eliminated if the foreign currency has decreased in value relative to the U.S. dollar subsequent to the date of purchase. In such a circumstance, the cost of a U.S. dollar purchased with that foreign currency has gone up and the same amount of foreign currency purchases fewer dollars than at an earlier date.

**Emerging Market Securities.** The risks of investing in foreign countries are intensified in developing countries, or emerging markets. A developing or emerging country is a nation that, in the Investment Manager's opinion, is likely to experience long-term gross domestic product growth above that expected to occur in the United States, the UK, France, Germany, Italy, Japan and Canada. Developing and emerging countries may have relatively unstable governments, economies based on only a few industries and securities markets that trade a small number of securities.

Unless a Portfolio contains an alternative definition of an emerging market country in its prospectus, the Investment Manager considers countries having developing or emerging markets to be all countries that generally are considered to be developing or emerging countries by the International Bank for Reconstruction and Development (more commonly referred to as the World Bank) and the International Finance Corporation, as well as countries that are classified by the United Nations or otherwise regarded by their authorities as developing or emerging.

As noted above, the country designation for a security for purposes of a Portfolio's investment policies and restrictions regarding foreign securities is the issuer's country of domicile, as indicated by a third-party source (*e.g.*, Bloomberg L.P.). Accordingly, a security would be considered issued by a developing or emerging market country if the issuer's country of domicile is a developing or emerging market country. However, pursuant to IICO's compliance procedures, the Investment Manager may request a different country designation under the following circumstances: (i) the issuer derived at least 50% of its revenues or profits in a country other than the country of domicile; (ii) the issuer has at least 50% of its assets in a country other than the country of domicile; or (iii) the issuer's stock (security) principally is traded (based on total volume traded) in a country other than the country of domicile, provided the issuer does not have more than 50% of its revenues/profits or assets sourced in a single country.

Some of the risks to which a Portfolio may be exposed by investing in securities of developing or emerging markets are: restrictions placed by the government of a developing or emerging country related to investment, currency exchange controls, and repatriation of the proceeds of investment in that country; fluctuation of a developing or emerging country's currency against the U.S. dollar; unusual price volatility in a developing or emerging country's securities markets; government involvement in the private sector, including government ownership of companies in which the Portfolio may invest; limited information about a developing or emerging market; high levels of tax levied by developing or emerging countries on dividends, interest and realized capital gains; the greater likelihood that developing or emerging markets will experience more volatility in inflation rates than developed markets; the greater potential that securities purchased by the Portfolio in developing or emerging markets may be fraudulent or counterfeit due to differences in the level of regulation,

disclosure requirements and recordkeeping practices in those markets; risks related to the liquidity and transferability of investments in certain instruments, such as loan participations, that may not be considered “securities” under local law; settlement risks, including potential requirements for the Portfolio to render payment prior to taking possession of portfolio securities in which it invests; the possibility of nationalization, expropriation or confiscatory taxation; favorable or unfavorable differences between individual foreign economies and the U.S. economy, such as growth of gross domestic product, rate of inflation, capital reinvestment, resources, self-sufficiency, and balance of payments position; additional costs associated with any investment in non-U.S. securities, including higher custodial fees than typical U.S. custodial arrangements, transaction costs of foreign currency conversions and generally higher commission rates on portfolio transactions than prevail in U.S. markets; relatively unstable governments, economies based on only a few industries and securities markets that trade a small number of securities; greater social, economic and political instability, including the risk of war; lack of availability of currency hedging or other risk management techniques in certain developing or emerging countries; the fact that companies in developing or emerging countries may be newly organized and may be smaller and less seasoned; differences in accounting, auditing and financial reporting standards; the heightened risks associated specifically with establishing record ownership and custody of securities; and limitations on obtaining and enforcing judgments against non-U.S. residents.

**Sukuk.** Foreign securities and emerging market securities include sukuk. Sukuk are certificates, similar to bonds, issued by the issuer to obtain an upfront payment in exchange for an income stream to be generated by certain assets of the issuer. Generally, the issuer sells the investor a certificate, which the investor then rents back to the issuer for a predetermined rental fee. The issuer also makes a contractual promise to buy back the certificate at a future date at par value. While the certificate is linked to the returns generated by certain assets of the issuer, the underlying assets are not pledged as security for the certificates, and the Portfolio (as the investor) is relying on the creditworthiness of the issuer for all payments required by the sukuk. Issuers of sukuk may include international financial institutions, foreign governments and agencies of foreign governments. Underlying assets may include, without limitation, real estate (developed and undeveloped), lease contracts and machinery and equipment.

**Foreign Sovereign Debt Obligations.** Investment in sovereign debt can involve a high degree of risk. The governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity’s willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity’s policy towards the International Monetary Fund, and the political constraints to which a governmental entity may be subject. Governmental entities also may be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearages on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity’s implementation of economic reforms and/or economic performance and the timely service of such debtor’s obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties’ commitments to lend funds to the governmental entity, which may further impair such debtor’s ability or willingness to service its debts in a timely manner. Consequently, governmental entities may default on their sovereign debt. Holders of sovereign debt may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which sovereign debt on which governmental entities have defaulted may be collected in whole or in part.

### ***Illiquid Investments***

Rule 22e-4 under the 1940 Act provides that a Portfolio may not acquire an “illiquid investment” if, immediately after the acquisition, the Portfolio would have invested more than 15% of its net assets in illiquid investments that are assets. Rule 22e-4 defines an illiquid investment as an investment that cannot reasonably be sold or disposed of under current market conditions in 7 calendar days or less without the sale or disposition significantly changing the market value of the investment. The Board has adopted a liquidity risk management program on behalf of the Portfolios that is designed to comply with Rule 22e-4’s requirements. The Board has delegated to an administrator the responsibility to oversee the program, whose duties include periodically reviewing the liquidity risk of the Portfolios and categorizing the Portfolio’s investments into one of four liquidity classifications (as defined in Rule 22e-4) based on prescribed criteria, including the

number of days in which the administrator reasonably expects the investment would be convertible to cash under current market conditions without significantly changing the market value of the investment. This classification process takes into account relevant market, trading and investment-specific considerations (the analysis upon which a security is convertible to cash and placed into a classification will not take into account days when exchanges in foreign markets are closed for scheduled holidays).

The Investment Manager believes that, at times, it is in the best interest of a Portfolio to be able to invest in illiquid securities up to the maximum amount allowable under the Portfolio's investment restriction on illiquid investments. See *Investment Restrictions — Non-Fundamental Investment Restrictions*. The Investment Manager believes that the risk of investing in illiquid securities is manageable, considering the availability of certain securities that are currently considered illiquid but have widely established trading markets. For example, there has been significant growth in the types and availability of bank loans and structured products, including: asset backed securities (which also includes many mortgage-backed securities), collateralized bond obligations, collateralized mortgage obligations, collateralized debt obligations and commercial mortgage-backed securities. Since many of these securities are initially offered as individual issues, they often are deemed illiquid. See *Mortgage-Backed and Asset-Backed Securities* for more information on these types of securities.

### ***Indexed Securities and Structured Notes***

Each Portfolio may invest in structured notes or other indexed securities, subject to its operating policy regarding financial instruments and other applicable restrictions. An example of a “structured note” is a note that is tied to a basket of multiple indices in which an investor receives twice the gains of each index that rises, subject to a cap on the returns with proportionate losses if the index falls. An example of an “indexed security” is a security that guarantees a return higher than the rate of inflation if it is held to maturity (called inflation indexed security). Structured notes or other indexed securities are derivative debt instruments, the interest rate or principal of which is linked to securities, currencies, interest rates, commodities, indices or other financial indicators (reference instruments). Most structured notes or other indexed securities are fixed-income securities that have maturities of three years or fewer. The interest rate or the principal amount payable at maturity of an indexed security may vary based on changes in one or more specified reference instruments, such as a floating interest rate compared with a fixed interest rate. The reference instrument need not be related to the terms of the structured note or indexed security.

Structured notes and indexed securities may be positively or negatively indexed (*i.e.*, their principal value or interest rates may increase or decrease if the underlying reference instrument appreciates), and may have return characteristics similar to direct investments in the underlying reference instrument or to one or more options on the underlying reference instrument.

Structured notes and indexed securities may entail a greater degree of market risk than other types of debt securities because the investor bears the risk of the reference instrument. Structured notes and indexed securities also may be more volatile, less liquid, and more difficult to accurately price than less complex securities and instruments or more traditional debt securities. In addition to the credit risk of the structured note and indexed security's issuer and the normal risks of price changes in response to changes in interest rates, the principal amount of structured notes and indexed securities may decrease as a result of changes in the value of the underlying reference instruments. Further, in the case of certain structured notes and indexed securities, the interest rate may be increased or decreased or the terms may provide that, under certain circumstances, the principal amount payable on maturity may be reduced to zero resulting in a loss to a Portfolio.

The performance of structured notes and indexed securities depends to a great extent on the performance of the reference instrument to which they are indexed and also may be influenced by interest rate changes in the U.S. and abroad. At the same time, structured notes and indexed securities are subject to the credit risks associated with the issuer of the security and their values may decline substantially if the issuer's creditworthiness deteriorates. Structured notes and indexed securities may be more volatile than the reference instrument. Gold-indexed securities, for example, typically provide for a maturity value that depends on the price of gold, resulting in a security whose price tends to rise and fall together with gold prices. Currency-indexed securities typically are short-term to intermediate-term debt securities whose maturity values or interest rates are determined by reference to the values of one or more specified foreign currencies, and may offer higher yields than U.S. dollar-denominated securities of equivalent issuers. Currency-indexed securities may be



positively or negatively indexed; that is, their maturity value may increase when the specified currency value increases, resulting in a security that performs similarly to a foreign-denominated instrument, or their maturity value may decline when foreign currencies increase, resulting in a security whose price characteristics are similar to a put on the underlying currency. Currency-indexed securities also may have prices that depend on the values of a number of different foreign currencies relative to each other.

The Investment Manager will use its judgment in determining whether structured notes or indexed securities should be treated as short-term instruments, bonds, stocks, or as a separate asset class for purposes of a Portfolio's investment allocations, depending on the individual characteristics of the securities. Certain structured notes and indexed securities that are not traded on an established market may be deemed illiquid.

### ***Initial Public Offerings (IPOs)***

Securities issued through an IPO can experience an immediate drop in value if the demand for the securities does not continue to support the offering price. Information about the issuers of IPO securities also is difficult to acquire since they are new to the market and may not have lengthy operating histories. A Portfolio may engage in short-term trading in connection with its IPO investments, which could produce higher trading costs. The number of securities issued in an IPO is limited, so it is likely that IPO securities will represent a smaller component of a Portfolio's holdings as the Portfolio's assets increase (and thus have a more limited effect on the Portfolio's performance).

### ***Investment Company Securities***

Each Portfolio (other than Ivy VIP Government Money Market) may purchase shares of other investment companies only to the extent permitted under the 1940 Act, the rules and regulations thereunder, and any applicable exemptive relief and subject to its other investment policies and restrictions. As a shareholder in an investment company, a Portfolio would bear its pro rata share of that investment company's expenses, which could result in duplication of certain fees, including management and administrative fees; therefore, if a Portfolio acquires shares of an investment company, the Portfolio's shareholders would bear both their proportionate share of expenses of the Portfolio (including management and advisory fees) and, indirectly, the expenses of such investment company.

**Closed-end Investment Companies.** Shares of certain closed-end investment companies may at times be acquired only at market prices representing premiums to their NAVs. Shares of closed-end investment companies also may trade at a discount to NAV, which means a Portfolio may have to sell shares at a price lower than their NAV per share. Additionally, closed-end investment company shares may be halted or delisted by the listing exchange. Some countries, such as South Korea, Chile and India, have authorized the formation of closed-end investment companies to facilitate indirect foreign investment in their capital markets. The 1940 Act restrictions on investments in securities of other investment companies may limit opportunities that some of the Portfolios otherwise permitted to invest in foreign securities otherwise would have to invest indirectly in certain developing markets. A Portfolio will incur brokerage costs when purchasing and selling shares of closed-end investment companies.

**Business Development Companies (BDCs).** Subject to its investment policies and restrictions, a Portfolio (other than Ivy VIP Government Money Market) may invest in shares of BDCs. BDCs are a type of closed-end investment company regulated by the 1940 Act and typically invest in and lend to small and medium-sized private companies that may not have access to public equity markets for raising capital. BDCs invest in such diverse industries as healthcare, chemical, manufacturing, technology and service companies. A BDC must invest at least 70% of the value of its total assets in certain asset types, which typically are the securities of private U.S. businesses, and must make available significant managerial assistance to the issuers of such securities. BDCs often offer a yield advantage over other types of securities. Managers of BDCs may be entitled to compensation based on the BDC's performance, which may result in a manager of a BDC making riskier or more speculative investments in an effort to maximize incentive compensation and higher fees.

Because BDCs typically invest in small and medium-sized companies, a BDC's portfolio is subject to the risks inherent in investing in smaller companies, including that portfolio companies may be dependent on a small number of products or services and may be more adversely affected by poor economic or market conditions. Some BDCs invest substantially, or even exclusively, in one sector or industry group. Accordingly, the BDC may be susceptible to adverse conditions and



economic or regulatory occurrences affecting the sector or industry group, which tends to increase the BDC's volatility and risk. Investments made by BDCs generally are subject to legal and other restrictions on resale and are otherwise less liquid than publicly traded securities. The illiquidity of these investments may make it difficult to sell such investments if the need arises, and if there is a need for a BDC in which a Portfolio invests to liquidate its portfolio quickly, it may realize a loss on its investments. BDCs also may have relatively concentrated investment portfolios, consisting of a relatively small number of holdings. A consequence of this limited number of investments is that the aggregate returns realized may be disproportionately impacted by the poor performance of a small number of investments, or even a single investment, particularly if a BDC experiences the need to write down the value of an investment, which tends to increase the BDC's volatility and risk.

Investments in BDCs are subject to management risk, including the ability of the BDC's management to meet the BDC's investment objective and to manage the BDC's portfolio when the underlying securities are redeemed or sold, during periods of market turmoil and as investors' perceptions regarding a BDC or its underlying investments change. BDC shares are not redeemable at the option of the BDC shareholder and, as with shares of other closed-end funds, they may trade in the secondary market at a discount to their NAV. Like an investment in other investment companies, a Portfolio will indirectly bear its proportionate share of any management and other expenses charged by the BDCs in which it invests.

BDCs may employ the use of leverage through borrowings or the issuance of preferred stock. While leverage often serves to increase the yield of a BDC, this leverage also subjects a BDC to increased risks, including the likelihood of increased volatility of the BDC and the possibility that the BDC's common share income will fall if the dividend rate of the preferred shares or the interest rate on any borrowings rises.

### ***Exchange-Traded Funds (ETFs)***

Subject to its investment policies and restrictions, and only to the extent permitted by the 1940 Act, the rules and regulations thereunder, and any applicable exemptive relief, a Portfolio (other than Ivy VIP Government Money Market) may invest in ETFs for various purposes, which may or may not be a registered investment company (RIC) (*i.e.*, open-end mutual fund). For example, a Portfolio may invest in S&P 500 Depositary Receipts (SPDRs), which track the S&P 500 Index; S&P MidCap 400 Depositary Receipts (MidCap SPDRs), which track the S&P MidCap 400 Index; and "Dow Industrial Diamonds," which track the Dow Jones Industrial Average, or in ETFs that track other indexes; provided that such investments are consistent with the Portfolio's investment objective(s) as determined by the Investment Manager. Each of these securities represents shares of beneficial interest in a trust, or series of a trust, that typically holds a proportionate amount of shares of all stocks included in the relevant underlying index. Since most ETFs are a type of investment company, a Portfolio's purchases of ETF shares are subject to its investment restrictions regarding investments in other investment companies.

An ETF's shares have a market price that approximates the NAV of the ETF's portfolio, which generally is designed to track the designated index or the NAV of the underlying basket of securities, currencies and/or commodities or commodities futures, as applicable. Some ETFs are actively managed and instead of replicating, they seek to outperform a particular index or basket or price of a commodity or currency. ETF shares are exchange-traded and as with other equity transactions, brokers charge a commission in connection with the purchase of shares of ETFs. In addition, an asset management fee is charged against the assets of an ETF (which is charged in addition to the investment management fee paid by a Portfolio).

Trading costs for ETFs can be higher than those for stock index futures contracts, but, because ETFs trade like other exchange-listed equities, they represent a relatively quick and convenient method of using a Portfolio's assets to track the return of a particular stock index.

Investments in an ETF that is a RIC (*i.e.*, open-end mutual fund) generally present the same primary risks as investments in a conventional open-end mutual fund that is not exchange-traded. The price of an ETF can fluctuate, and a Portfolio could lose money investing in an ETF. In addition, ETFs are subject to the following risks that do not apply to conventional mutual funds: (i) the market price of an ETF's shares may trade at a premium or discount to their NAV; (ii) an active trading market for an ETF's shares may not develop or be maintained; or (iii) trading of an ETF's shares may

be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

### ***Lending Securities***

For the purpose of realizing additional income or offsetting expenses, each Portfolio may lend portfolio securities up to the maximum amount of its total assets allowed under the 1940 Act (currently, one-third of total assets which, for purposes of this limitation, include the value of collateral received in return for securities loaned). Under a Portfolio's securities lending procedures, the Portfolio may lend securities only to broker-dealers and financial institutions deemed creditworthy by IICO. The creditworthiness of entities to which a Portfolio makes loans of portfolio securities is monitored by IICO throughout the term of the loan.

If a Portfolio lends securities, the borrower pays the Portfolio an amount equal to the dividends or interest on the securities that the Portfolio would have received if it had not loaned the securities. The Portfolio also receives additional compensation.

In addition, a borrower must collateralize any securities loans that it receives from a Portfolio in accordance with applicable regulatory requirements (the Guidelines). At the time of each loan, the Portfolio must receive collateral equal to no less than 102% of the market value of the securities loaned (or 105% of the market value of foreign securities loaned), including any accrued interest thereon. Under the present Guidelines, the collateral must consist of cash or U.S. government securities or bank letters of credit, at least equal in value to the market value of the securities loaned on each day that the loan is outstanding. Such collateral will be marked-to-market daily, and if the market value of the lent securities exceeds the value of the collateral, the borrower must add more collateral so that it at least equals 102% of the market value of the domestic securities loaned (or 105% of the foreign securities loaned). If the market value of the securities decreases, the borrower is entitled to a return of the excess collateral.

There are two methods of receiving compensation for making loans. The first is to receive a negotiated loan fee from the borrower. This method is available for all three types of collateral. The second method, which is not available when letters of credit are used as collateral, is for a Portfolio to receive interest on the investment of the cash collateral or to receive interest on the U.S. government securities used as collateral. Part of the interest received in either case may be shared with the borrower.

The letters of credit that a Portfolio may accept as collateral are agreements by banks (other than the borrowers of the Portfolio's securities), entered into at the request of the borrower and for its account and risk, under which the banks are obligated to pay to the Portfolio, while the letter is in effect, amounts demanded by the Portfolio if the demand meets the terms of the letter. The Portfolio's right to make this demand secures the borrower's obligations to it. The terms of any such letters and the creditworthiness of the banks providing them (which might include the Portfolio's custodian bank) must be satisfactory to IICO. The Portfolio will make loans only under rules of the New York Stock Exchange (NYSE), which presently require the borrower to give the securities back to the Portfolio within 5 business days after the Portfolio gives notice to do so. If the Portfolio loses its voting rights on securities loaned, it will not be able to have the securities returned to it in time to vote them if a material event affecting the investment is to be voted on. The Portfolio may pay reasonable finder's, administrative and custodian fees in connection with loans of securities.

Some, but not all, of these rules are necessary to meet regulatory requirements relating to securities loans. These rules will not be changed unless the change is permitted under these requirements. The requirements do not cover the rules which may be changed without shareholder vote, as to: (1) whom securities may be loaned; (2) the investment of cash collateral; or (3) voting rights.

There may be risks of delay in receiving additional collateral from the borrower if the market value of the securities loaned increases. If the borrower defaults on its obligation to return the securities loaned because of insolvency or other reasons, a Portfolio could experience delays and costs in recovering the securities loaned or in gaining access to the collateral. These delays and costs could be greater for foreign securities. If a Portfolio is not able to recover the securities loaned, the Portfolio may sell the collateral and purchase a replacement investment in the market. Additional transaction costs would result, and the value of the collateral could decrease below the value of the replacement investment by the time the

replacement investment is purchased. Until the replacement can be purchased, the Portfolio will not have the desired level of exposure to the security which the borrower failed to return. Cash received as collateral through loan transactions may be invested in other eligible securities, including shares of a money market fund. Investing this cash subjects the Portfolio to greater market risk including losses on the collateral and, should the Portfolio need to look to the collateral in the event of the borrower's default, losses on the loan secured by that collateral.

### ***Interfund Lending***

Pursuant to an exemptive order issued by the U.S. Securities and Exchange Commission (SEC), the Trust, together with the Ivy Funds and the InvestEd Portfolios (collectively, the "Funds" only for purposes of this section), have the ability to lend money to, and borrow money from, each other pursuant to a master interfund lending agreement (Interfund Lending Program). Under the Interfund Lending Program, the Funds may lend or borrow money for temporary purposes directly to or from one another (an Interfund Loan), subject to meeting the conditions of the SEC exemptive order. All Interfund Loans would consist only of uninvested cash reserves that the lending Fund otherwise would invest in short-term repurchase agreements or other short-term instruments.

If a Fund has outstanding bank borrowings, any Interfund Loans to the Fund would: (a) be at an interest rate equal to or lower than that of any outstanding bank loan, (b) be secured at least on an equal priority basis with at least an equivalent percentage of collateral to loan value as any outstanding bank loan that requires collateral, (c) have a maturity no longer than any outstanding bank loan (and in any event not over 7 days), and (d) provide that, if an event of default occurs under any agreement evidencing an outstanding bank loan to the Fund, that event of default will automatically (without need for action or notice by the lending Fund) constitute an immediate event of default under the Interfund Lending Agreement, entitling the lending Fund to call the Interfund Loan (and exercise all rights with respect to any collateral), and that such call will be made if the lending bank exercises its right to call its loan under its agreement with the borrowing Fund.

A Fund may make an unsecured borrowing under the Interfund Lending Program if its outstanding borrowings from all sources immediately after the borrowing under the Interfund Lending Program are equal to or less than 10% of its total assets, provided that, if the Fund has a secured loan outstanding from any other lender, including but not limited to another Fund, the Fund's borrowing under the Interfund Lending Program will be secured on at least an equal priority basis with at least an equivalent percentage of collateral to loan value as any outstanding loan that requires collateral. If a Fund's total outstanding borrowings immediately after an interfund borrowing under the Interfund Lending Program exceed 10% of its total assets, the Fund may borrow through the Interfund Lending Program on a secured basis only. A Fund may not borrow under the Interfund Lending Program or from any other source if its total outstanding borrowings immediately after the borrowing would be more than 33 1/3% of its total assets.

No Fund may lend to another Fund through the Interfund Lending Program if the loan would cause the lending Fund's aggregate outstanding loans through the Interfund Lending Program to exceed 15% of its current net assets at the time of the loan. A Fund's Interfund Loans to any one Fund shall not exceed 5% of the lending Fund's net assets. The duration of Interfund Loans will be limited to the time required to receive payment for securities sold, but in no event more than 7 days, and for purposes of this condition, loans effected within 7 days of each other will be treated as separate loan transactions. Each Interfund Loan may be called on one business day's notice by a lending Fund and may be repaid on any day by a borrowing Fund.

The limitations detailed above and the other conditions of the SEC exemptive order permitting interfund lending are designed to minimize the risks associated with interfund lending for both the lending Fund and the borrowing Fund. However, no borrowing or lending activity is without risk. When a Fund borrows money from another Fund, there is a risk that the Interfund Loan could be called on one day's notice or not renewed, in which case the Fund may have to borrow from a bank at higher rates if an Interfund Loan is not available from another Fund. Interfund Loans are subject to the risk that the borrowing Fund could be unable to repay the loan when due, and a delay in repayment to a lending Fund could result in a lost opportunity or additional lending costs. No Fund may borrow more than the amount permitted by its investment limitations.

### ***Line of Credit***

The Trust, on behalf of Ivy VIP High Income, and Ivy Funds, on behalf of certain of its series (collectively, the “Funds,” only for purposes of this section), have entered into a committed, unsecured revolving line of credit (Credit Facility) with The Bank of New York Mellon (BNYM), which allows the Funds to borrow an aggregate amount of up to \$130 million, subject to asset coverage and other limitations as specified in the Credit Agreement entered into between the Funds and BNYM. The Funds may borrow under the Credit Facility for temporary or emergency purposes or to allow for an orderly liquidation of securities to meet redemption requests. A borrowing Fund bears any interest expenses associated with the Credit Facility. The Funds also pay all arrangement and set-up fees and commitment fees. Borrowing results in interest expense and other fees and expenses for the Funds, which may impact the Funds’ net expenses. The costs of borrowing may reduce the Funds’ returns. As of the date of this SAI, there were no outstanding loans on the Credit Facility.

### ***Investments in Chinese Securities***

Certain of the Portfolios may invest in “A-shares” of certain Chinese companies through various “connect programs” with local stock exchanges in China, such as the Shanghai-Hong Kong Stock Connect Program with the Shanghai Stock Exchange that was launched in 2014 or the Shenzhen-Hong Kong Stock Connect Program with the Shenzhen Stock Exchange that was launched in 2016 or other similar programs (collectively these are referred to as Connect Programs).

Connect Programs serve to link local Chinese stock markets (such as those in Shanghai or Shenzhen) with the Hong Kong stock exchange. Under the Connect Programs, investors in Hong Kong and China can trade and settle shares listed on the other market via the exchange and clearing house in their home market. This means that international investors, who previously were prohibited from investing directly in A-shares on local Chinese exchanges, can access this market.

However, local rules apply, and listed companies that issue A-shares remain subject to the listing requirements in the local market. This means that the Connect Programs are subject to quota limitations, and an investor cannot purchase and sell the same security on the same trading day, which may restrict a Portfolio's ability to invest in China A-shares through the Connect Programs and to enter into or exit trades on a timely basis. Connect Programs can operate only when both markets are open for trading and when banking services are available in both markets on the corresponding settlement days. As such, if one or both markets are closed on a U.S. trading day, a Portfolio may not be able to dispose of its China A-shares in a timely manner, which could adversely affect the Portfolio's performance. Only certain China A-shares are eligible to be accessed through the Connect Programs. Such securities may lose their eligibility at any time, in which case they could be sold, but could no longer be purchased through the Connect Programs. Because the Connect Programs are relatively new, the actual effect on the market for trading China A-shares with the introduction of large numbers of foreign investors is unknown. In addition, there is no assurance that the necessary systems required to operate the Connect Programs will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems do not function properly, trading through the Connect Programs could be disrupted.

The Connect Programs are subject to regulations promulgated by regulatory authorities for participating exchanges and further regulations or restrictions, such as limitations on redemptions or suspension of trading, may adversely impact a Connect Program, if the authorities believe it necessary to assure orderly markets or for other reasons. Because the relevant regulations are relatively new and untested, they are subject to change and there is no certainty as to how they will be applied. Investments in China A-shares may not be covered by the securities investor protection programs of a participating exchange and, without the protection of such programs, will be subject to the risk of default by the broker. In the event that the depository, the China Securities Depository and Clearing Corporation Limited (ChinaClear), defaulted, the Hong Kong Securities Clearing Company Limited, being the nominee under the Connect Program, has limited responsibility to assist clearing participants in pursuing claims against ChinaClear. Currently, there remains no precedent that the applicable courts in China would accept beneficial owners, rather than the nominee, under the Connect Program to pursue claims directly against ChinaClear in China. Therefore, a Portfolio may not be able to recover fully its losses from ChinaClear or may be delayed in receiving proceeds as part of any recovery process. A Portfolio also may not be able to exercise the rights of a shareholder and may be limited in its ability to pursue claims against the issuer of a security. A Portfolio may not be able to participate in corporate actions affecting China A-shares held through the Connect Programs due to time constraints or for other operational reasons. Similarly, a Portfolio may not be able to appoint proxies or participate in shareholders’ meetings due to current limitations on the use of multiple proxies in China.



Trades on these Connect Programs are subject to certain requirements prior to trading. If these requirements are not completed prior to the market opening, a Portfolio cannot sell the shares on that trading day. Currently, certain local custodians offer a “bundled brokerage/custodian” solution to address such requirements. However, such solution may limit the number of brokers that a Portfolio may use to execute trades. An enhanced model also has been implemented by the Hong Kong Stock Exchange, but there are operational and practical challenges for an investor to utilize such enhanced model. If an investor holds 5% or more of the total shares issued by a China A-share issuer, the investor must return any profits obtained from the purchase and sale of those shares if both transactions occur within a six-month period. If a Portfolio holds 5% or more of the total shares of a China A-share issuer, its profits may be subject to this limitation. In addition, it currently is not clear whether all accounts managed by the Investment Manager and/or its affiliates will be aggregated for purposes of this limitation. If that is the case, it makes it more likely that a Portfolio's profits may be subject to this limitation.

Because all trades of eligible China A-shares must be settled in Renminbi (RMB), the Chinese currency, investors must have timely access to a reliable supply of offshore RMB, which cannot be guaranteed. The value of the RMB may be subject to a high degree of fluctuation due to changes in interest rates, the imposition of currency controls, or the effects of monetary policies of China, other foreign governments, the United States, central banks or supranational entities. Furthermore, because dividends declared by a Portfolio will be declared in U.S. dollars and underlying payments received by the Portfolio from the China A-shares will be made in RMB, fluctuations in exchange rates may adversely affect the dividends that the Portfolio would pay.

Also, investing in China carries certain political and economic risks. The value of a Portfolio's assets may be adversely affected by inadequate investor protection and changes in Chinese laws or regulations. The Chinese economy may differ favorably or unfavorably from the U.S. economy in respects such as the rate of growth of gross domestic product, the rate of inflation, capital reinvestment, resource self-sufficiency, balance of payments position and sensitivity to changes in global trade. The Chinese government has exercised and continues to exercise significant influence over many aspects of the economy. Accordingly, future government actions could have a significant effect on the country's economy, which could affect market conditions and prices and yields of China A-shares.

### ***Loans and Other Direct Debt Instruments***

**Loans.** Subject to its investment policies and restrictions, a Portfolio may purchase loan participations and/or loan assignments (sometimes called bank loans). Loan participations are interests in amounts owed by a corporate, governmental, or other borrower to a lender or consortium of lenders (typically banks, insurance companies, or investment banks). Purchasers of participation interests do not have any direct contractual relationship with the borrower. Most floating rate loans are acquired directly from the agent bank or from another holder of the loan by assignment. In an assignment, the Portfolio purchases an assignment of a portion of a lender's interest in a loan. In this case, the Portfolio may be required generally to rely upon the assigning bank to demand payment and enforce its rights against the borrower, but would otherwise be entitled to all of such bank's rights in the loan.

Purchasers of participation interests may be subject to delays, expenses, and risks that are greater than those that would be involved if the purchaser could enforce its rights directly against the borrower. In addition, under the terms of a participation interest, the purchaser may be regarded as a creditor of the intermediate participant (rather than of the borrower), so that the purchaser also may be subject to the risk that the intermediate participant could become insolvent. The agreement between the purchaser and lender who sold the participation interest also may limit the rights of the purchaser to vote on changes that may be made to the loan agreement, such as waiving a breach of a covenant.

Most loan participations are secured, and most impose restrictive covenants that must be met by the borrower. These loans typically are made by a syndicate of banks and institutional investors, which are represented by an agent bank that has negotiated and structured the loan and that is responsible generally for collecting interest, principal, and other amounts from the borrower on its own behalf and on behalf of the other lending institutions in the syndicate, and for enforcing its and their other rights against the borrower. Typically, under loan agreements, the agent is given broad discretion in monitoring the borrower's performance and is obligated to use the same care it would use in the management of its own property. Each of the lending institutions, including the agent bank, lends to the borrower a portion of the total amount of the loan, and retains the corresponding interest in the loan. Floating rate loans may include delayed draw term loans and pre-funded or synthetic letters of credit.



A Portfolio's ability to receive payments of principal and interest and other amounts in connection with loans held by it will depend primarily on the financial condition of the borrower. The failure by a Portfolio to receive scheduled interest or principal payments on a loan would adversely affect the income of the Portfolio and would likely reduce the value of its assets, which would be reflected in a reduction in the Portfolio's NAV. Banks and other lending institutions generally perform a credit analysis of the borrower before originating a loan or purchasing an assignment in a loan. In selecting the loans in which a Portfolio will invest, however, the Investment Manager will not rely on that credit analysis of the agent bank but will perform its own investment analysis of the borrowers.

The Investment Manager's analysis may include consideration of the borrower's financial strength and managerial experience, debt coverage, additional borrowing requirements or debt maturity schedules, changing financial conditions, and responsiveness to changes in business conditions and interest rates. The majority of the loans a Portfolio will invest in will be rated by one or more NRSROs. Investments in loans may be of any quality, including "distressed" loans, and will be subject to the Portfolio's credit quality policy. Some floating rate loans and other debt securities are not rated by any NRSRO. Historically, floating rate loans have not been registered with the SEC or any state securities commission or listed on any securities exchange. As a result, the amount of public information available about a specific floating rate loan historically has been less extensive than if the floating rate loan were registered or exchange-traded.

Floating rate loans and other debt securities that are fully secured provide more protections than unsecured securities in the event of failure to make scheduled interest or principal payments. Indebtedness of borrowers whose creditworthiness is poor involves substantially greater risks and may be highly speculative. Borrowers that are in bankruptcy or restructuring may never pay off their indebtedness, or may pay only a small fraction of the amount owed. In connection with the restructuring of a floating rate loan or other debt security outside of bankruptcy court in a negotiated work-out or in the context of bankruptcy proceedings, equity securities or junior debt securities may be received in exchange for all or a portion of an interest in the security.

Corporate loans in which a Portfolio may purchase a loan assignment are made generally to provide bridge loans (temporary financing), finance internal growth, mergers, acquisitions (acquiring another company), recapitalizations (reorganizing the assets and liabilities of a borrower), stock purchases, leverage buy-outs (taking over control of a company), dividend payments to sponsors and other corporate activities. Under current market conditions, most of the corporate loans purchased by a Portfolio will represent loans made to highly leveraged corporate borrowers. The highly leveraged capital structure of the borrowers in such transactions may make such loans especially vulnerable to adverse changes in economic or market conditions. A Portfolio may hold investments in loans for a very short period of time when opportunities to resell the investments that the Investment Manager believes are attractive arise.

Certain of the loans acquired by a Portfolio may involve revolving credit facilities under which a borrower may from time to time borrow and repay amounts up to the maximum amount of the facility. In such cases, the Portfolio would have an obligation to advance its portion of such additional borrowings upon the terms specified in the loan assignment. To the extent that the Portfolio is committed to make additional loans under such an assignment, it will at all times, designate cash or securities in an amount sufficient to meet such commitments. A revolving credit facility may require the Portfolio to increase its investment in a floating rate loan at a time when it would not otherwise have done so, even if the borrower's condition makes it unlikely that the amount will ever be repaid.

Notwithstanding its intention in certain situations to not receive material non-public information with respect to its management of investments in floating rate loans, the Investment Manager may from time to time come into possession of material, non-public information about the issuers of loans that may be held by a Portfolio. Possession of such information may in some instances occur despite the Investment Manager's efforts to avoid such possession, but in other instances, the Investment Manager may choose to receive such information (*e.g.*, in connection with participation in a creditor's committee with respect to a financially distressed issuer). As, and to the extent, required by applicable law, the Investment Manager's ability to trade in these loans for the account of a Portfolio could potentially be limited by its possession of such information. Such limitations on the Investment Manager's ability to trade could have an adverse effect on a Portfolio by, for example, preventing the Portfolio from selling a loan that is experiencing a material decline in value. In some instances, these trading restrictions could continue in effect for a substantial period of time.

In some instances, other accounts managed by the Investment Manager may hold other securities issued by borrowers whose floating rate loans may be held by a Portfolio. These other securities may include, for example, debt securities that are subordinate to the floating rate loans held by the Portfolio, convertible debt or common or preferred equity securities. In certain circumstances, such as if the credit quality of the issuer deteriorates, the interests of holders of these other securities may conflict with the interests of the holders of the issuer's floating rate loans. In such cases, the Investment Manager may owe conflicting fiduciary duties to the Portfolio and other client accounts. The Investment Manager will endeavor to carry out its obligations to all of its clients to the fullest extent possible, recognizing that in some cases certain clients may achieve a lower economic return, as a result of these conflicting client interests, than if the Investment Manager's client account collectively held only a single category of the issuer's securities.

A floating rate loan offered as part of the original lending syndicate typically is purchased at par value. As part of the original lending syndicate, a purchaser generally earns a yield equal to the stated interest rate. In addition, members of the original syndicate typically are paid a commitment fee. In secondary market trading, floating rate loans may be purchased or sold above, at, or below par, which can result in a yield that is below, equal to, or above the stated interest rate, respectively. At certain times when reduced opportunities exist for investing in new syndicated floating rate loans, floating rate loans may be available only through the secondary market.

If an agent becomes insolvent, or has a receiver, conservator, or similar official appointed for it by the appropriate bank or other regulatory authority, or becomes a debtor in a bankruptcy proceeding, the agent's appointment may be terminated, and a successor agent would be appointed. If an appropriate regulator or court determines that assets held by the agent for the benefit of the purchasers of floating rate loans are subject to the claims of the agent's general or secured creditors, the purchasers might incur certain costs and delays in realizing payment on a floating rate loan or suffer a loss of principal and/or interest. Furthermore, in the event of the borrower's bankruptcy or insolvency, the borrower's obligation to repay a floating rate loan may be subject to certain defenses that the borrower can assert as a result of improper conduct by the agent.

Unlike publicly-traded common stocks which trade on national exchanges, there is no central place or exchange for loans to trade. Loans trade in an over-the-counter (OTC) market, and confirmation and settlement, which are effected through standardized procedures and documentation, may take significantly longer than 7 days to complete. Extended trade settlement periods may, in unusual market conditions with a high volume of shareholder redemptions, present a risk to shareholders regarding a Portfolio's ability to pay redemption proceeds within the allowable time periods stated in its prospectus.

Loan interests may not be considered "securities," and a purchaser, such as a Portfolio, therefore may not be entitled to rely on the anti-fraud protections of the federal securities laws.

**Collateral.** Most floating rate loans are secured by specific collateral of the borrower and are senior to most other securities of the borrower. The collateral typically has a market value, at the time the floating rate loan is made, that equals or exceeds the principal amount of the floating rate loan. The value of the collateral may decline, be insufficient to meet the obligations of the borrower, or be difficult to liquidate. As a result, a floating rate loan may not be fully collateralized and can decline significantly in value. Floating rate loan collateral may consist of various types of assets or interests. Collateral may include working capital assets, such as accounts receivable or inventory; tangible or intangible assets; or assets or other types of guarantees of affiliates of the borrower. Inventory is the goods a company has in stock, including finished goods, goods in the process of being manufactured, and the supplies used in the process of manufacturing. Accounts receivable are the monies due to a company for merchandise or securities that it has sold, or for the services it has provided. Tangible fixed assets include real property, buildings, and equipment. Intangible assets include trademarks, copyrights and patent rights, and securities of subsidiaries or affiliates.

Generally, floating rate loans are secured unless (i) the purchaser's security interest in the collateral is invalidated for any reason by a court, or (ii) the collateral is fully released with the consent of the agent bank and lenders or under the terms of a loan agreement as the creditworthiness of the borrower improves. Collateral impairment is the risk that the value of the collateral for a floating rate loan will be insufficient in the event that a borrower defaults. Although the terms of a floating rate loan generally require that the collateral at issuance have a value at least equal to 100% of the amount of such floating rate loan, the value of the collateral may decline subsequent to the purchase of a floating rate loan. In most loan

agreements there is no formal requirement to pledge additional collateral. There is no guarantee that the sale of collateral would allow a borrower to meet its obligations should the borrower be unable to repay principal or pay interest or that the collateral could be sold quickly or easily.

In addition, most borrowers pay their debts from the cash flow they generate. If the borrower's cash flow is insufficient to pay its debts as they come due, the borrower may seek to restructure its debts rather than sell collateral. Borrowers may try to restructure their debts by filing for protection under the federal bankruptcy laws or negotiating a work-out. If a borrower becomes involved in bankruptcy proceedings, access to the collateral may be limited by bankruptcy and other laws. In the event that a court decides that access to the collateral is limited or void, it is unlikely that purchasers could recover the full amount of the principal and interest due.

There may be temporary periods when the principal asset held by a borrower is the stock of a related company, which may not legally be pledged to secure a floating rate loan. On occasions when such stock cannot be pledged, the floating rate loan will be temporarily unsecured until the stock can be pledged or is exchanged for, or replaced by, other assets.

Some floating rate loans are unsecured. If the borrower defaults on an unsecured floating rate loan, there is no specific collateral on which the purchaser can foreclose.

**Floating Interest Rate Loans.** The rate of interest payable on floating rate loans is the sum of a base lending rate plus a specified spread. Base lending rates generally are the London Interbank Offered Rate (LIBOR), the Certificate of Deposit (CD) Rate of a designated U.S. bank, the Prime Rate of a designated U.S. bank, the federal funds rate, or another base lending rate used by commercial lenders. A borrower usually has the right to select the base lending rate and to change the base lending rate at specified intervals. The applicable spread may be fixed at time of issuance or may adjust upward or downward to reflect changes in credit quality of the borrower.

The interest rate on LIBOR-based and CD Rate-based floating rate loans is reset periodically at intervals ranging from 30 to 180 days, while the interest rate on Prime Rate- or federal funds rate-based floating rate loans floats daily as those rates change. Investment in floating rate loans with longer interest rate reset periods can increase fluctuations in the floating rate loans' values when interest rates change.

The yield on a floating rate loan will depend primarily on the terms of the underlying floating rate loan and the base lending rate chosen by the borrower. The relationship between LIBOR, the CD Rate, the Prime Rate, and the federal funds rate will vary as market conditions change. On July 27, 2017, the head of the UK's Financial Conduct Authority announced a desire to phase out the use of LIBOR by the end of 2021. That announcement suggests that LIBOR may cease to be published or utilized after that time. Various financial industry groups have begun planning for that transition, but there are obstacles to converting certain securities and transactions to a new benchmark. Transition planning is ongoing; however, there remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. In particular, the ICE Benchmark Administration recently announced that it will postpone certain aspects of the LIBOR transition to June 2023. As such, the potential effect of a transition away from LIBOR on a Portfolio or the financial instruments in which a Portfolio invests cannot yet be determined. The transition process might lead to increased volatility and illiquidity in markets that currently rely on LIBOR to determine interest rates. It also could lead to a reduction in the value of some LIBOR-based investments and reduce the effectiveness of new hedges placed against existing LIBOR-based instruments. While some LIBOR-based instruments may contemplate a scenario in which LIBOR is no longer available by providing for an alternative rate-setting methodology and/or increased costs for certain LIBOR-related instruments or financing transactions, not all may have such provisions and there may be significant uncertainty regarding the effectiveness of any such alternative methodologies, resulting in prolonged adverse market conditions for the Fund. Since the usefulness of LIBOR as a benchmark could deteriorate during the transition period, these effects could occur prior to the end of 2021. The willingness and ability of issuers to include enhanced provisions in new and existing contracts or instruments also remains uncertain. Any of these factors may adversely affect a Fund's performance or NAV.

Floating rate loans typically will have a stated term of five to nine years. However, because floating rate loans are frequently prepaid, their average maturity is expected to be two to three years. The degree to which borrowers prepay floating rate loans, whether as a contractual requirement or at their election, may be affected by general business

conditions, the borrower's financial condition, and competitive conditions among lenders. Prepayments cannot be predicted with accuracy. Prepayments of principal to the purchaser of a floating rate loan may result in the principal's being reinvested in floating rate loans with lower yields.

A Portfolio limits the amount of total assets that it will invest in any one issuer or in issuers within the same industry (see *Fundamental Investment Restrictions*). For purposes of these restrictions, a Portfolio generally will treat the borrower as the "issuer" of indebtedness held by the Portfolio. In the case of participation interests where a bank or other lending institution serves as intermediate participant between a Portfolio and the borrower, if the participation interest does not shift to the Portfolio the direct debtor-creditor relationship with the borrower, a Portfolio, in appropriate circumstances, will treat both the lending bank or other lending institution and the borrower as "issuers" for these purposes. Treating an intermediate participant as an issuer of indebtedness may restrict a fund's ability to invest in indebtedness related to a single intermediate participant, or a group of intermediate participants engaged in the same industry, even if the underlying borrowers represent many different companies and industries.

A borrower must comply with various restrictive covenants contained in the loan agreement. In addition to requiring the scheduled payment of interest and principal, these covenants may include restrictions on dividend payments and other distributions to stockholders, provisions requiring the borrower to maintain specific financial ratios, and limits on total debt. The loan agreement also may contain a covenant requiring the borrower to prepay the floating rate loan with any free cash flow. A breach of a covenant that is not waived by the agent (or by the lenders directly) normally is an event of default, which provides the agent or the lenders the right to call the outstanding floating rate loan.

**Direct Debt Instruments.** A Portfolio may invest in direct debt instruments, subject to its policies and restrictions regarding the quality of debt securities. Purchasers of loans and other forms of direct indebtedness depend primarily upon the creditworthiness of the borrower for payment of principal and interest. Direct debt instruments may not be rated by any NRSRO. If a Portfolio does not receive scheduled interest or principal payments on such indebtedness, the Portfolio's share price and yield could be adversely affected. Loans that are fully secured offer the Portfolio more protection than an unsecured loan in the event of non-payment of scheduled interest or principal. However, there is no assurance that the liquidation of collateral from a secured loan would satisfy the borrower's obligation, or that the collateral could be liquidated. Indebtedness of borrowers whose creditworthiness is poor involves substantially greater risks, and may be highly speculative. Borrowers that are in bankruptcy or restructuring may never pay off their indebtedness, or may pay only a small fraction of the amount owed. Direct indebtedness of developing countries also involves a risk that the governmental entities responsible for the repayment of the debt may be unable, or unwilling, to pay interest and principal when due.

Investments in loans through direct assignment of a financial institution's interests with respect to a loan may involve additional risks to the Portfolio. For example, if a loan is foreclosed, the Portfolio could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral. Direct debt instruments also may involve a risk of insolvency of the lending bank or other intermediary. Direct debt instruments that are not in the form of securities may offer less legal protection to the Portfolio in the event of fraud or misrepresentation. In the absence of definitive regulatory guidance, the Portfolio seeks to avoid situations where fraud or misrepresentation could adversely affect the Portfolio.

A loan often is administered by a bank or other financial institution that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. Unless, under the terms of the loan or other indebtedness, the Portfolio has direct recourse against the borrower, it may have to rely on the agent to apply appropriate credit remedies against a borrower. If assets held by the agent for the benefit of the Portfolio were determined to be subject to the claims of the agent's general creditors, the Portfolio might incur certain costs and delays in realizing payment on the loan or loan participation and could suffer a loss of principal or interest.

Investments in direct debt instruments may entail less legal protection for the Portfolio. Direct indebtedness purchased by the Portfolio may include letters of credit, revolving credit facilities, or other standby financing commitments obligating the Portfolio to pay additional cash on demand. These commitments may have the effect of requiring the Portfolio to increase its investment in a borrower at a time when it would not otherwise have done so, even if the borrower's condition makes it unlikely that the amount will ever be repaid. The Portfolio will set aside appropriate liquid



assets in a segregated custodial account to cover its potential obligations under standby financing commitments. Other types of direct debt instruments, such as loans through direct assignment of a financial institution's interest with respect to a loan, may involve additional risks to the Portfolio. For example, if a loan is foreclosed, the Portfolio could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral.

A Portfolio limits the amount of total assets that it will invest in any one issuer or in issuers within the same industry. For purposes of these limitations, a Portfolio generally will treat the borrower as the issuer of indebtedness held by the Portfolio. In the case of loan participations where a bank or other lending institution serves as financial intermediary between the Portfolio and the borrower, if the participation does not shift to the Portfolio the direct debtor-creditor relationship with the borrower, SEC interpretations require the Portfolio, in appropriate circumstances, to treat both the lending bank or other lending institution and the borrower as issuers for these purposes. Treating a financial intermediary as an issuer of indebtedness may restrict the Portfolio's ability to invest in indebtedness related to a single financial intermediary, or a group of intermediaries engaged in the same industry, even if the underlying borrowers represent many different companies and industries.

### ***Listed Private Equity Companies and Funds***

Subject to its investment policies and restrictions, a Portfolio (other than Ivy VIP Government Money Market) may invest in securities of listed private equity companies and funds whose principal business is to invest in and lend capital to privately held companies. A Portfolio is subject to the underlying risks that affect the listed private equity companies and funds in which it invests. Generally, little public information exists for private companies, and there is a risk that the listed private equity companies and funds may not be able to make a fully informed investment decision. In addition, the listed private equity companies and funds may have relatively concentrated investment portfolios, consisting of a relatively small number of holdings. A consequence of this limited number of investments is that the aggregate returns realized by the listed private equity companies and funds may be adversely impacted by the poor performance of a small number of investments, or even a single investment. A Portfolio's investment in listed private equity companies and funds subjects the Portfolio's shareholders indirectly to the fees and expenses incurred by such companies and funds. Listed private equity companies and funds may include, among others, business development companies, investment holding companies, publicly traded limited partnership interests (common units), publicly traded venture capital funds, publicly traded venture capital trusts, publicly traded private equity funds, publicly traded private equity investment trusts, publicly traded closed-end funds, publicly traded financial institutions that lend to or invest in privately held companies and any other publicly traded vehicle whose purpose is to invest in privately held companies.

### ***Low-Rated Securities***

Debt securities rated below the four highest categories (that is, below BBB- by S&P, for example) are not considered investment grade obligations and commonly are called "junk bonds" or "high yield". These securities are predominately speculative and present more credit risk than investment grade obligations with respect to the issuer's continuing ability to meet principal and interest payments.

Low-rated debt securities (including unrated securities determined by the Investment Manager to be of comparable quality) generally involve greater volatility of price and risk of principal and income, including the possibility of default by, or bankruptcy of, the issuers of the securities. The market prices of these securities may fluctuate more than high-rated securities and may decline significantly in periods of general economic difficulty. In addition, the markets in which low-rated debt securities are traded are more limited than those in which higher-rated securities are traded. The existence of limited markets for particular securities may diminish a Portfolio's ability to sell the securities at fair value either to meet redemption requests or to respond to changes in the economy or in the financial markets and could adversely affect and cause fluctuations in the daily NAV of the Portfolio's shares.

Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of low-rated debt securities, especially in a thinly traded market. Valuation becomes more difficult and judgment plays a greater role in valuing low-rated debt securities than with respect to higher-rated debt securities for which more external sources of quotations and last sale information are available. Similarly, analysis of the creditworthiness of issuers of low-rated debt securities may be more complex than for issuers of higher-rated securities, and the ability of a Portfolio



to achieve its investment objective may be more dependent upon such creditworthiness analysis than would be the case if the Portfolio were investing in higher-rated securities.

Low-rated debt securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than investment grade securities. The prices of low-rated debt securities have been found to be less sensitive to interest rate changes than higher-rated investments, but more sensitive to adverse economic downturns or individual corporate developments. A projection of an economic downturn or of a period of rising interest rates, for example, could cause a decline in low-rated debt securities prices because the advent of a recession could lessen the ability of a highly leveraged company to make principal and interest payments on its debt securities. If the issuer of low-rated debt securities defaults, a Portfolio may incur additional expenses to seek recovery and lose all or part of its investment.

**Distressed Debt Securities.** Subject to its investment policies and restrictions, a Portfolio (other than Ivy VIP Government Money Market) may invest in distressed companies (generally, debt securities rated below CCC+ by S&P, for example) (or, if unrated, determined by the Investment Manager to be of comparable quality) (generally referred to as Distressed Debt). Investing in Distressed Debt includes investing in securities of companies that are, or are about to be, involved in reorganizations, financial restructurings, or bankruptcy. A Portfolio's investment in Distressed Debt typically involves the purchase of bank debt, lower-rated or defaulted debt securities, comparable unrated debt securities, or other indebtedness (or participations in the indebtedness) of such companies. Such other indebtedness generally represents a specific commercial loan or portion of a loan made to a company by a financial institution such as a bank.

Loan participations represent fractional interests in a company's indebtedness and generally are made available by banks or other institutional investors. By purchasing all or a part of a loan participation, a Portfolio, in effect, steps into the shoes of the lender. Distressed Debt purchased by a Portfolio may be in the form of loans, notes or bonds. If the loan is secured, a Portfolio will have a priority claim to the assets of the company ahead of unsecured creditors and stockholders otherwise no such priority of claims exists.

A merger or other restructuring, or a tender or exchange offer, proposed or pending at the time a Portfolio invests in these securities may not be completed on the terms or within the time frame contemplated, resulting in losses to the Portfolio. Distressed Debt securities typically are unrated, lower-rated, in default or close to default. Also, Distressed Debt generally is more likely to become worth less than the securities of more financially stable companies. An issuer of debt securities may be unable to make interest payments and repay principal when due. Changes in an issuer's financial strength or in a security's credit rating may affect a security's value and, thus, impact Portfolio performance. These debt securities are subject to interest rate, credit and prepayment risk. An increase in interest rates will reduce the resale value of debt securities and changes in the financial condition or credit rating of an issue may affect the value of its debt securities. Issuers may prepay their obligations on fixed rate debt securities when interest rates decline, which can shorten a security's maturity and reduce a Portfolio's return.

Debt securities rated below investment grade, and the type of Distressed Debt securities which a Portfolio may purchase, generally are considered to have more risk than higher-rated debt securities. They also may fluctuate more in price, and are less liquid than higher-rated debt securities. Their prices are especially sensitive to developments affecting the company's business and to ratings changes, and typically rise and fall in response to factors that affect the company's stock prices. Issuers of such Distressed Debt are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy, such as a recession or a sustained period of rising interest rates. The risk that a Portfolio may lose its entire investment in defaulted bonds is greater in comparison to investing in non-defaulted bonds. Purchasers of participations in indebtedness must rely on the financial institution issuing the participation to assert any rights against the borrower with respect to the underlying indebtedness. In addition, a Portfolio incurs the risk as to the creditworthiness of the bank or other financial intermediary, as well as of the company issuing the underlying indebtedness.

### ***Master Limited Partnerships (MLPs)***

Subject to its investment policies and restrictions, a Portfolio (other than Ivy VIP Government Money Market) may invest in MLPs. An MLP is a limited partnership (or similar entity, such as a limited liability company, that is classified as a partnership for federal tax purposes), the interests in which are publicly traded. MLP units generally are registered with the SEC and are freely traded on a securities exchange or in the OTC market. Many MLPs operate in the oil and gas

industries, including energy processing and distribution. MLPs generally are pass-through entities or businesses that are taxed at the security holder level and generally are not subject to federal or state income tax at the entity level, subject to the application of certain partnership audit rules. Annual income, gains, losses, deductions and credits of such an MLP pass through directly to its security holders. Distributions from an MLP, whether they are attributable to its annual net income that is passed through or consist in part of a return of the amount originally invested, would not be taxable, to the extent they do not exceed the investor's adjusted tax basis in its MLP interest. Generally, an MLP is operated under the supervision of one or more general partners. Limited partners are not involved in the day-to-day management of an MLP.

Investing in MLPs generally is subject to risks applicable to investing in a partnership as opposed to a corporation, which may include fewer protections afforded to investors (*e.g.*, owners of common units in an MLP may have limited voting rights and no ability to elect directors, trustees or other managers). Although unitholders of an MLP generally are limited in their liability, similar to a corporation's shareholders, an MLP's creditors typically have the right to seek the return of distributions made to the MLP's unitholders if the liability in question arose before the distributions were paid. This liability may stay attached to the unitholder even after the units are sold.

MLPs holding credit-related investments are subject to interest rate risk and the risk of default on payment obligations by debt issuers. MLPs that concentrate in a particular industry or geographic region are subject to the risks associated with such industry or region (such as the risks associated with investing in the real estate or oil and gas industries). Investments held by an MLP may be relatively illiquid, limiting the MLP's ability to vary its portfolio promptly in response to changes in economic or other conditions. MLPs may have limited financial resources, their securities may trade infrequently and in limited volume, and they may be subject to more abrupt or erratic price movements than securities of larger or more broadly based companies.

Net income from an interest in a "qualified publicly-traded partnership" (QPTP), which many MLPs are treated as for federal tax purposes, is "qualifying income" for an entity (such as a Portfolio) that is a "regulated investment company" for these purposes (RIC). Please see the section entitled *Taxation of the Portfolios* for additional information regarding the tax consequences of a Portfolio investing in a QPTP.

### ***Money Market Instruments***

Money market instruments are high-quality, short-term debt instruments. They may include U.S. government securities, commercial paper and other short-term corporate obligations, certificates of deposit and other financial institution obligations. These instruments may carry fixed or variable interest rates.

### ***Mortgage-Backed and Asset-Backed Securities***

**Mortgage-Backed Securities.** Mortgage-backed securities represent direct or indirect participations in, or are secured by and payable from, mortgage loans secured by real property and include single- and multi-class pass-through securities and collateralized mortgage obligations (CMOs). Multi-class pass-through securities and collateralized mortgage obligations are collectively referred to in this SAI as CMOs. Some CMOs are directly supported by other CMOs, which in turn are supported by mortgage pools. Investors typically receive payments out of the interest and principal on the underlying mortgages. The portions of the payments that investors receive, as well as the priority of their rights to receive payments, are determined by the specific terms of the CMO class.

The U.S. government mortgage-backed securities in which a Portfolio may invest include mortgage-backed securities issued by the Federal National Mortgage Association (Fannie Mae), the Government National Mortgage Association (Ginnie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac). Other mortgage-backed securities are issued by private issuers, generally the originators of and investors in mortgage loans, including savings associations, mortgage bankers, commercial banks, investment bankers and special purpose entities. Payments of principal and interest (but not the market value) of such private mortgage-backed securities may be supported by pools of mortgage loans or other mortgage-backed securities that are guaranteed, directly or indirectly, by the U.S. government or one of its agencies or instrumentalities, or they may be issued without any government guarantee of the underlying mortgage assets but with some form of non-government credit enhancement. These credit enhancements do not protect investors from changes in market value.

Ginnie Mae is a government-owned corporation that is an agency of the U.S. Department of Housing and Urban Development. It guarantees, with the full faith and credit of the United States, full and timely payment of all monthly principal and interest on its mortgage-backed securities. Government-related guarantors (i.e., not backed by the full faith and credit of the U.S. government) include Fannie Mae and Freddie Mac. Fannie Mae is a government-sponsored corporation owned by stockholders. It is subject to general regulation by the Federal Housing Finance Authority (FHFA). Fannie Mae purchases residential mortgages from a list of approved seller/servicers that include state and federally chartered savings and loan associations, mutual savings banks, commercial banks, credit unions and mortgage bankers. Fannie Mae guarantees the timely payment of principal and interest on pass-through securities that it issues, but those securities are not backed by the full faith and credit of the U.S. government. Freddie Mac is a government sponsored corporation formerly owned by the twelve Federal Home Loan Banks and now owned by stockholders. Freddie Mac issues participation certificates, which represent interests in mortgages from Freddie Mac's national portfolio. Freddie Mac guarantees the timely payment of interest and ultimate collection of principal on the participation certificates it issues, but those are not backed by the full faith and credit of the U.S. government.

The Treasury historically has had the authority to purchase obligations of Fannie Mae and Freddie Mac; however, in 2008, due to capitalization concerns, Congress provided the Treasury with additional authority to lend Fannie Mae and Freddie Mac emergency funds and to purchase the companies' stock, as described below. In September 2008, those capital concerns led the Treasury and the FHFA to announce that Fannie Mae and Freddie Mac had been placed in conservatorship.

Since that time, Fannie Mae and Freddie Mac have received significant capital support through Treasury preferred stock purchases as well as Treasury and Federal Reserve purchases of their mortgage backed securities. While the purchase programs for mortgage-backed securities ended in 2010, the Treasury continued its support for the entities' capital as necessary to prevent a negative net worth. From the end of 2007 through the end of 2017, Fannie Mae and Freddie Mac required Treasury support of approximately \$187.5 billion through draws under the Treasury's preferred stock purchase agreements, although neither Fannie Mae nor Freddie Mac had required a draw from the Treasury from the second quarter of 2012 until the fourth quarter of 2017, and the amount of aggregate cash dividends paid by Fannie Mae and Freddie Mac continued to outweigh such draws during that time. However, in February 2018, Fannie Mae required additional Treasury support of approximately \$3.7 billion to eliminate negative net worth as of the end of 2017, and Fannie Mae or Freddie Mac may need an injection of additional Treasury capital in the future. Accordingly, no assurance can be given that the Federal Reserve, Treasury, or the FHFA initiatives discussed above will ensure that Fannie Mae and Freddie Mac will remain successful in meeting their obligations with respect to the debt and mortgage-backed securities they issue. Moreover, there remains significant uncertainty as to whether (or when) Fannie Mae and Freddie Mac will emerge from conservatorship, which has no specified termination date. In addition, Fannie Mae and Freddie Mac also are the subject of several continuing class action lawsuits and investigations by federal regulators, which (along with any resulting financial restatements) may adversely affect the guaranteeing entities. Importantly, the future of the entities remains in question as the U.S. government is considering multiple options, ranging from significant reform, nationalization, privatization, consolidation, or abolishment of the entities.

The FHFA and the Treasury (through its agreements to purchase preferred stock of Fannie Mae and Freddie Mac) also have imposed strict limits on the size of the mortgage portfolios of Fannie Mae and Freddie Mac. In August 2012, the Treasury amended its preferred stock purchase agreements to provide that the portfolios of Fannie Mae and Freddie Mac will be wound down at an annual rate of 15% (up from the previously agreed annual rate of 10%), resulting in Fannie Mae and Freddie Mac reaching the \$250 billion target imposed under the preferred stock purchase agreements. Further, when a ratings agency downgraded long-term U.S. government debt in August 2011, the agency also downgraded the bond ratings of Fannie Mae and Freddie Mac, from AAA to AA+, based on their direct reliance on the U.S. government (although that rating did not directly relate to their mortgage-backed securities). The U.S. government's commitment to ensure that Fannie Mae and Freddie Mac have sufficient capital to meet their obligations was, however, unaffected by the downgrade.

A Portfolio may purchase mortgage-backed securities issued by both government and non-government entities such as banks, mortgage lenders or other financial institutions. Other types of mortgage-backed securities likely will be developed in the future, and a Portfolio may invest in them if the Investment Manager determines that such investments are consistent with the Portfolio's objective(s) and investment policies.

**Stripped Mortgage-Backed Securities.** Stripped mortgage-backed securities are created when a U.S. government agency or a financial institution separates the interest and principal components of a mortgage-backed security and sells them as individual securities. The holder of the principal-only security (PO) receives the principal payments made by the underlying mortgage-backed security, while the holder of the interest-only security (IO) receives interest payments from the same underlying security.

For example, IO classes are entitled to receive all or a portion of the interest, but none (or only a nominal amount) of the principal payments, from the underlying mortgage assets. If the mortgage assets underlying an IO experience greater than anticipated principal prepayments, then the total amount of interest allocable to the IO class, and therefore the yield to investors, generally will be reduced. In some instances, an investor in an IO may fail to recoup all of the investor's initial investment, even if the security is guaranteed by the U.S. government or considered to be of the highest quality. Conversely, PO classes are entitled to receive all or a portion of the principal payments, but none of the interest, from the underlying mortgage assets. PO classes are purchased at substantial discounts from par, and the yield to investors will be reduced if principal payments are slower than expected. IOs, POs and other CMOs involve special risks, and evaluating them requires special knowledge.

**Asset-Backed Securities.** Asset-backed securities have structural characteristics similar to mortgage-backed securities, as discussed above. However, the underlying assets are not first lien mortgage loans or interests therein, but include assets such as motor vehicle installment sales contracts, other installment sale contracts, home equity loans, leases of various types of real and personal property and receivables from revolving credit (credit card) agreements. Such assets are securitized through the use of trusts or special purpose corporations. Payments or distributions of principal and interest may be guaranteed up to a certain amount and for a certain time period by a letter of credit or a pool insurance policy issued by a financial institution unaffiliated with the issuer, or other credit enhancements may be present. The value of asset-backed securities also may depend on the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing the credit enhancement.

**Special Characteristics of Mortgage-Backed and Asset-Backed Securities.** The yield characteristics of mortgage-backed and asset-backed securities differ from those of traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying mortgage loans or other obligations generally may be prepaid at any time. Prepayments on a pool of mortgage loans are influenced by a variety of economic, geographic, social and other factors, including changes in mortgagors' housing needs, job transfers, unemployment, mortgagors' net equity in the mortgaged properties and servicing decisions. Generally, however, prepayments on fixed-rate mortgage loans will increase during a period of falling interest rates and decrease during a period of rising interest rates. Similar factors apply to prepayments on asset-backed securities, but the receivables underlying asset-backed securities generally are of a shorter maturity and thus are likely to experience substantial prepayments. Such securities, however, often provide that for a specified time period the issuers will replace receivables in the pool that are repaid with comparable obligations. If the issuer is unable to do so, repayment of principal on the asset-backed securities may commence at an earlier date.

The rate of interest on mortgage-backed securities is lower than the interest rates paid on the mortgages included in the underlying pool due to the annual fees paid to the servicer of the mortgage pool for passing through monthly payments to certificate holders and to any guarantor, and due to any yield retained by the issuer. Actual yield to the holder may vary from the coupon rate, even if adjustable, if the mortgage-backed securities are purchased or traded in the secondary market at a premium or discount. In addition, there normally is some delay between the time the issuer receives mortgage payments from the servicer and the time the issuer makes the payments on the mortgage-backed securities, and this delay reduces the effective yield to the holder of such securities.

Yields on pass-through securities typically are quoted by investment dealers and vendors based on the maturity of the underlying instruments and the associated average life assumption. The average life of pass-through pools varies with the maturities of the underlying mortgage loans. A pool's term may be shortened by unscheduled or early payments of principal on the underlying mortgages. Because prepayment rates of individual pools vary widely, it is not possible to predict accurately the average life of a particular pool. In the past, a common industry practice has been to assume that prepayments on pools of fixed-rate 30-year mortgages would result in a 12-year average life for the pool. At present, mortgage pools, particularly those with loans with other maturities or different characteristics, are priced on an



assumption of average life determined for each pool. In periods of declining interest rates, the rate of prepayment tends to increase, thereby shortening the actual average life of a pool of mortgage-related securities. Conversely, in periods of rising interest rates, the rate of prepayment tends to decrease, thereby lengthening the actual average life of the pool. Changes in the rate or speed of these payments can cause the value of the mortgage-backed securities to fluctuate rapidly. However, these effects may not be present, or may differ in degree, if the mortgage loans in the pools have adjustable interest rates or other special payment terms, such as a prepayment charge. Actual prepayment experience may cause the yield of mortgage-backed securities to differ from the assumed average life yield.

The market for privately issued mortgage-backed and asset-backed securities is smaller and less liquid than the market for U.S. government mortgage-backed securities. CMO classes may be specifically structured in a manner that provides any of a wide variety of investment characteristics, such as yield, effective maturity and interest rate sensitivity. As market conditions change, however, and especially during periods of rapid or unanticipated changes in market interest rates, the attractiveness of some CMO classes and the ability of the structure to provide the anticipated investment characteristics may be reduced. These changes can result in volatility in the market value, and in some instances reduced liquidity, of the CMO class.

### ***Municipal Obligations***

Municipal obligations are issued by a wide range of state and local governments, agencies and authorities for various purposes. The two main kinds of municipal bonds are general obligation bonds and revenue bonds. The issuer of a general obligation bond has pledged its full faith, credit and taxing power for the payment of principal and interest on the bond. Revenue bonds are payable only from specific sources; these may include revenues from a particular facility or class of facilities or special tax or other revenue source. Private activity bonds (PABs) are revenue bonds issued by or on behalf of public authorities to obtain funds to finance privately operated facilities. Their credit quality usually is directly related to the credit standing of the user of the facilities being financed.

### ***Natural Resources and Physical Commodities***

When a Portfolio invests in securities of companies engaged in natural resources activities, the Portfolio may be subject to greater risks and market fluctuations than funds with more diversified portfolios. The value of the Portfolio's securities will fluctuate in response to market conditions generally, and will be particularly sensitive to the markets for those natural resources in which a particular issuer is involved. The values of natural resources also may fluctuate directly with respect to real and perceived inflationary trends and various political developments. In selecting the Portfolio's investments, the Investment Manager will consider each company's ability to create new products, secure any necessary regulatory approvals, and generate sufficient customer demand. A company's failure to perform well in any one of these areas, however, could cause its stock to decline sharply.

Natural resource industries throughout the world may be subject to greater political, environmental and other governmental regulation than many other industries. Changes in governmental policies and the need for regulatory approvals may have an adverse effect on the products and services of natural resources companies. For example, the exploration, development and distribution of coal, oil and gas in the U.S. are subject to significant federal and state regulation, which may affect rates of return on such investments and the kinds of services that may be offered to companies in those industries. In addition, many natural resource companies have been subject to significant costs associated with compliance with environmental and other safety regulations. Such regulations also may hamper the development of new technologies. The direction, type or effect of any future regulations affecting natural resource industries are virtually impossible to predict.

Generally, energy commodities, such as coal, natural gas and crude oil, have distinctly higher volatility than other types of commodities, due in part to real time pricing and cross-commodity arbitrage described below. In purchasing related securities, the Investment Manager considers the integration of derivatives and physical trades for risk management in a real-time environment. As well, scheduling receipts, deliveries and transmission of a commodity can all impact investments in commodities.

Energy commodities have unique market risks and physical properties which can affect the available supply. Factors unique to energy commodities include: research and development, location, recovery costs, transportation costs,



conversion costs and storage costs, as well as global demand and other events that can affect demand such as war, weather and alternative energy sources. Natural gas and crude oil are especially susceptible to changes in supply and global demand. For example, global oil prices recently have been, and continue to be, subject to extreme market volatility.

An investor in commodities must be able to manage cross-commodity arbitrage, that is, the ability to determine positions stated in equivalent units of measure (*e.g.*, British thermal units). When assessing an investment opportunity — in coal, natural gas or crude oil — this calculation can be critical in determining the success an investor has when calculating how a trade breaks down into a single common denominator. Coal tolling, for instance, involves the conversion of coal to electricity for a fee. The tolling of coal gives marketers, suppliers and generators another arbitrage opportunity if there is a disparity between coal and electricity prices while providing some added liquidity between the two commodities.

Principal risks of investing in certain types of commodities include:

- cross-commodity arbitrage can negatively impact a Portfolio's investments;
- fluctuations in demand can negatively impact individual commodities: alternative sources of energy can create unforeseen competition; changes in weather can negatively affect demand; and global production can alter demand and the need for specific sources of energy;
- fluctuations in supply can negatively impact individual commodities: transportation costs, research and development, location, recovery/retrieval costs, conversion costs, storage costs and natural disasters can all adversely impact different investments and types of energy;
- environmental restrictions can increase costs of production;
- restrictions placed by the government of a developing country related to investment, exchange controls, and repatriation of the proceeds of investment in that country; and
- war can limit production or access to available supplies and/or resources.

Investments in precious metals (such as gold) and other physical commodities are considered speculative and subject to special risk considerations, including substantial price fluctuations over short periods of time, as well as increasing regulation. On the other hand, investments in precious metals, coins or bullion could help to moderate fluctuations in the value of a Portfolio's holdings, since the prices of precious metals have at times tended not to fluctuate as widely as shares of issuers engaged in the mining of precious metals.

Because precious metals and other commodities do not generate investment income, the return on such investments will be derived solely from the appreciation or depreciation on such investments. A Portfolio also may incur storage and other costs relating to its investments in precious metals and other commodities, which may, under certain circumstances, exceed custodial and brokerage costs associated with investments in other types of securities. When a Portfolio purchases a precious metal or other physical commodity, the Investment Manager currently intends that it will only be in a form that is readily marketable. To continue to qualify as a RIC under the Internal Revenue Code of 1986, as amended (Code), a Portfolio may not derive more than 10% of its yearly gross income from gains (without regard to losses) resulting from selling or otherwise disposing of precious metals or any other physical commodity (or options or futures contracts thereon unless the gain is realized from certain hedging transactions) and other “non-qualifying income.” See *Taxation of the Portfolios*. Accordingly, a Portfolio may be required to hold its precious metals or sell them at a loss, or to sell some portfolio securities at a gain, when, for investment reasons, it would not otherwise do so. Ivy VIP Asset Strategy seeks to increase its exposure to commodities, including precious metals, derivatives and commodity-linked instruments, through investments in a wholly-owned and controlled Cayman Islands subsidiary. See *Investment in the Subsidiary*.

The ability of a Portfolio to purchase and hold precious metals such as gold, silver and platinum may allow it to benefit from a potential increase in the price of precious metals or stability in the price of such metals at a time when the value of securities may be declining. For example, during periods of declining stock prices, the price of gold may increase or remain stable, while the value of the stock market may be subject to general decline.

Precious metal prices are affected by various factors, such as economic conditions, political events and monetary policies. As a result, the prices of gold, silver or platinum may fluctuate widely. The sole source of return to a Portfolio from such

investments will be gains realized on their sale; a negative return will be realized if the metal is sold at a loss. Investments in precious metals do not provide a yield. A Portfolio's direct investment in precious metals is limited by tax considerations. See *Taxation of the Portfolios*.

### ***Options, Futures and Other Derivatives Strategies***

**General.** The Investment Manager may use certain options, futures contracts (sometimes referred to as futures), options on futures contracts, forward currency contracts, swaps, caps, floors, collars, indexed securities and other derivative instruments (collectively, Financial Instruments) in an attempt to enhance income or yield, to hedge, to gain exposure to securities, sectors or geographical areas or to otherwise manage the risks of a Portfolio's investments. Securian AM uses certain futures contracts in managing the volatility management strategy for each Managed Volatility Portfolio, although at some point in the future it might use other Financial Instruments.

Generally, each Portfolio (other than Ivy VIP Government Money Market) may purchase and sell any type of Financial Instrument. However, as an operating policy, a Portfolio will only purchase or sell a particular Financial Instrument if the Portfolio is authorized to invest in the type of asset by which the return on, or value of, the Financial Instrument primarily is measured. Since each Portfolio (other than Ivy VIP Government Money Market) is authorized to invest in foreign securities denominated in other currencies, each such Portfolio may purchase and sell foreign currency derivatives.

Hedging strategies can be broadly categorized as short hedges and long hedges. A short hedge is a purchase or sale of a Financial Instrument intended partially or fully to offset potential declines in the value of one or more investments held in a Portfolio's portfolio. Thus, in a short hedge, the Portfolio takes a position in a Financial Instrument whose price is expected to move in the opposite direction of the price of the investment being hedged.

Conversely, a long hedge is a purchase or sale of a Financial Instrument intended partially or fully to offset potential increases in the acquisition cost of one or more investments that a Portfolio intends to acquire. Thus, in a long hedge, the Portfolio takes a position in a Financial Instrument whose price is expected to move in the same direction as the price of the prospective investment being hedged. A long hedge is sometimes referred to as an anticipatory hedge. In an anticipatory hedge transaction, a Portfolio does not own a corresponding security. Therefore, the transaction relates to a security that the Portfolio intends to acquire. If the Portfolio does not complete the hedge by purchasing the security it anticipated purchasing, the effect on the Portfolio's holdings is the same as if the underlying security had been purchased and later sold, and the transaction could be viewed as speculative.

Financial Instruments involving underlying securities may be used in an attempt to hedge against price movements in one or more particular securities positions that a Portfolio owns or intends to acquire. Financial Instruments involving underlying indexes, in contrast, may be used in an attempt to hedge against price movements in market sectors in which a Portfolio has invested or expects to invest, respectively. Financial Instruments involving underlying debt securities may be used in an attempt to hedge either individual securities or broad debt market sectors.

In addition, Financial Instruments also may be used in seeking to gain exposure to securities, sectors, markets or geographical areas. Financial Instruments can be used individually, as in the purchase of a call option, or in combination, as in the purchase of a call option and a concurrent sale of a put option, as an alternative to purchasing securities. Financial Instruments may be used in this manner in seeking to gain exposure more efficiently than through a direct purchase of the underlying security or to more specifically express the outlook of the Investment Manager.

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) resulted in historic and comprehensive statutory reform of certain OTC derivatives, including the manner in which the derivatives are regulated, derivatives documentation is negotiated, and trades are reported, executed or "cleared."

Specifically, the Commodity Futures Trading Commission (CFTC) has adopted rules to require certain standardized swaps, previously traded OTC, be executed in a regulated, transparent market and settled by means of a central clearing house. To date, the CFTC has designated only certain of the most common types of credit default index swaps and interest rate swaps as subject to mandatory clearing and certain public trading facilities have made certain of those cleared swaps available to trade, but it is expected that additional categories of swaps will in the future be designated as subject to mandatory clearing and trade execution requirements. Central clearing is intended to reduce counterparty credit risk and

increase liquidity, but, central clearing does not eliminate these risks and may involve additional costs and risks not involved with uncleared swaps. The assets of a Portfolio may not be fully protected in the event of the bankruptcy of the futures commission merchant (FCM) or central counterparty because the Portfolio might be limited to recovering only a *pro rata* share of all available funds and margin segregated on behalf of an FCM's customers. Credit risk of cleared swap participants is concentrated in a few clearinghouses, and the consequences of insolvency of a clearinghouse are not clear.

In addition, the banking regulators and the CFTC have issued regulations requiring the posting of initial and variation margin for uncleared swaps that are applicable to all financial end-users, including the Portfolios.

In 2020, the SEC adopted a new rule that will impact the ability of a Portfolio to invest or remain invested in derivatives. Compliance with the new rule, Rule 18f-4 under the 1940 Act, is required by August 2022. Constraints on the ability of the Investment Manager to use derivatives to gain access to markets, participate in investment opportunities or risk-manage a Portfolio's assets could have an adverse impact on a Portfolio.

The regulation of derivatives is a rapidly changing area of law and is subject to modification by government and judicial action. In addition, the SEC, CFTC and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the implementation or reduction of speculative position limits, the implementation of higher margin requirements, the establishment of daily price limits and the suspension of trading. It is not possible to predict fully the effects of current or future regulation. Changing regulation may, among various possible effects, increase the cost of entering into derivatives transactions, require more assets of a Portfolio to be used for collateral in support of those derivatives than is currently the case, restrict the ability of a Portfolio to enter into certain types of derivative transactions, or could limit a Portfolio's ability to pursue its investment strategies. New requirements, even if not directly applicable to the Portfolios, may increase the cost of the funds' investments and cost of doing business.

In 2012, pursuant to the Dodd-Frank Act, the CFTC made substantial amendments to the permissible exemptions, and to the conditions for reliance on the permissible exemptions, from registration as a "commodity pool operator" (CPO) under the Commodity Exchange Act (CEA). Under these amendments, if a Portfolio uses commodity interests (such as futures contracts, options on futures contracts and most swaps) other than for *bona fide* hedging purposes (as defined by the CFTC), the aggregate initial margin and premiums required to establish these positions (after taking into account unrealized profits and unrealized losses on any such positions and excluding the amount by which options are "in-the-money" at the time of purchase) may not exceed 5% of the Portfolio's liquidation value, or alternatively, the aggregate net notional value of those positions, determined at the time the most recent position was established, may not exceed 100% of the Portfolio's liquidation value (after taking into account unrealized profits and unrealized losses on any such positions) unless the Investment Manager has registered as a CPO. The Investment Manager, in its management of each Portfolio, currently is complying, and intends to continue to comply, with at least one of the two alternative limitations described above. Accordingly, IICO has claimed an exclusion from the definition of the term "commodity pool operator" with respect to each Portfolio under the CEA and the regulations thereunder.

In addition to complying with these *de minimis* trading limitations set forth in the CFTC Rule 4.5 under the CPO rules, to qualify for an exclusion under the amended regulation, the operator of a Portfolio must satisfy a marketing test, which requires, among other things, that the Portfolio not hold itself out as a vehicle for trading commodity interests. Complying with the *de minimis* trading limitations may restrict the Investment Manager's ability to use derivatives as part of a Portfolio's investment strategies. Although the Investment Manager believes that it will be able to execute a Portfolio's investment strategies within the *de minimis* trading limitations, the Portfolio's performance could be adversely affected. In addition, a Portfolio's ability to use Financial Instruments may be limited by tax considerations. See *Taxation of the Portfolios*.

Pursuant to authority granted under the Dodd-Frank Act, the Treasury issued a notice of final determination (Final Determination) stating that deliverable foreign exchange forwards, as defined in the Final Determination, should not be considered swaps for most purposes. Thus, deliverable foreign exchange forwards are not deemed to be commodity interests. Therefore, a Portfolio may enter into deliverable foreign exchange forwards without such transactions counting against the *de minimis* trading limitations discussed above. Notwithstanding the Treasury's determination, deliverable foreign exchange forwards (1) must be reported to swap data repositories, (2) are subject to business conduct standards, and (3) are subject to antifraud and anti-manipulation proscriptions of swap execution facilities.

In addition, pursuant to the Dodd-Frank Act and regulations adopted by the CFTC in connection with implementing the Dodd-Frank Act, non-deliverable forwards (NDFs) are deemed to be commodity interests, including for purposes of amended CFTC Rule 4.5, and are subject to the full array of regulations under the Dodd-Frank Act. Therefore, a Portfolio will limit its investment in NDFs as discussed above.

CFTC Rule 4.5 also provides that, for purposes of determining compliance with the *de minimis* trading limitations discussed above, swaps that are centrally-cleared on the same clearing organization may be netted where appropriate, but no such netting is permitted for uncleared swaps. To the extent some NDFs remain traded OTC and are not centrally-cleared, the absolute notional value of all such transactions, rather than the net notional value, would be counted against the *de minimis* trading limitations discussed above. Requests have been made to the CFTC staff for further guidance on this aspect of CFTC Rule 4.5.

In addition to the instruments, strategies and risks described below, the Investment Manager expects to discover additional opportunities in connection with Financial Instruments and other similar or related techniques. These new opportunities may become available as new techniques are developed, as regulatory authorities broaden the range of permitted transactions and as new Financial Instruments or other techniques are developed. The Investment Manager may utilize these opportunities to the extent that they are consistent with a Portfolio's objective(s) and permitted by a Portfolio's investment policies and restrictions and regulations adopted by applicable regulatory authorities. A Portfolio might not use any of these strategies, and there can be no assurance that any strategy used will succeed. The Portfolios' Prospectus or this SAI will be supplemented to the extent that new products or techniques involve materially different risks than those described below or in the Prospectus.

**Special Risks.** The use of Financial Instruments involves special considerations and risks, certain of which are described below. Some of these techniques may increase the volatility of a Portfolio and may involve a small investment of cash relative to the magnitude of the risk assumed. Risks pertaining to particular Financial Instruments are described in the sections that follow:

- (1) Successful use of certain Financial Instruments depends upon the ability of the Investment Manager to predict movements of the overall securities, currency and interest rate markets, among other skills. There can be no assurance that any particular strategy will succeed, and the use of Financial Instruments could result in a loss, regardless of whether the intent was to reduce risk or increase return.
- (2) There might be imperfect correlation, or even no correlation, between price movements of a Financial Instrument and price movements of the investments being hedged. For example, if the value of a Financial Instrument used in a short hedge increased by less than the decline in value of the hedged investment, the hedge would not be fully successful. Such a lack of correlation might occur due to factors unrelated to the value of the investments being hedged, such as speculation in the market or other pressures on the markets in which Financial Instruments are traded. The effectiveness of hedges using Financial Instruments on underlying indexes will depend on the degree of correlation between price movements in the index and price movements in the securities being hedged.

Because there are a limited number of types of exchange-traded options and futures contracts, the standardized contracts available may not match a Portfolio's current or anticipated investments exactly. A Portfolio may invest in options and futures contracts based on securities, indexes or other instruments with different issuers, maturities, or other characteristics from the securities in which it typically invests, which involves a risk that the options or futures position will not perfectly correlate with the performance of the Portfolio's other investments.

Options and futures prices also can diverge from the prices of their underlying instruments, even if the underlying instruments match a Portfolio's investments well. Options and futures prices are affected by such factors as changes in volatility of the underlying instrument, the time remaining until expiration of the contract, and current and anticipated short-term interest rates, which may not affect security prices the same way. Imperfect correlation also may result from differing levels of demand in the options and futures markets and the securities markets, from structural differences in how options and futures and securities are traded, and/or from imposition of daily price fluctuation limits or trading halts. A Portfolio may purchase or sell options and futures contracts with a greater or lesser value than the securities it wishes to hedge or intends to purchase in order to attempt to compensate for



differences in volatility between the contract and the securities, although this may not be successful in all cases. If price changes in a Portfolio's options or futures positions are poorly correlated with its other investments, the positions may fail to produce anticipated gains or result in losses that are not offset by gains in other investments.

- (3) If successful, the above-discussed strategies can reduce risk of loss by wholly or partially offsetting the negative effect of unfavorable price movements. However, such strategies also can reduce opportunity for gain by offsetting the positive effect of favorable price movements. For example, if a Portfolio entered into a short hedge because the Investment Manager projected a decline in the price of a security in the Portfolio's holdings, and the price of that security increased instead, the gain from that increase might be wholly or partially offset by a decline in the price of the Financial Instrument. Moreover, if the price of the Financial Instrument declined by more than the increase in the price of the security, the Portfolio could suffer a loss. In either such case, the Portfolio would have been in a better position had it not attempted to hedge at all.
- (4) As described below, a Portfolio might be required to maintain assets as cover, maintain segregated accounts or make margin payments when it takes positions in Financial Instruments involving obligations to third parties unless regulatory relief from restrictions applies. If the Portfolio were unable to close out its positions in such Financial Instruments, it might be required to continue to maintain such assets or accounts or make such payments until the position expired or matured. These requirements might impair the Portfolio's ability to sell a portfolio security or make an investment at a time when it would otherwise be favorable to do so, or require that the Portfolio sell a portfolio security at a disadvantageous time.
- (5) A Portfolio's ability to close out a position in a Financial Instrument prior to expiration or maturity depends on the existence of a liquid secondary market or, in the absence of such a market, the ability and willingness of the other party to the transaction (counterparty) to enter into a transaction closing out the position. Therefore, there is no assurance that any position can be closed out at a time and price that is favorable to the Portfolio.
- (6) Certain Financial Instruments, including options, futures contracts, combined positions and swaps, can create leverage, which may amplify or otherwise increase a Portfolio's investment loss, possibly in an amount that could exceed the cost of that Financial Instrument or, under certain circumstances, that could be unlimited. Certain Financial Instruments also may require cash outlays that are only a small portion of the amount of exposure obtained through the Financial Instruments, which results in a form of leverage. Although leverage creates the opportunity for increased total return, it also can create investment exposure for a Portfolio that, in certain circumstances, could exceed the Portfolio's net assets and could alter the risk profile of the Portfolio in unanticipated ways.
- (7) When traded on foreign exchanges, Financial Instruments may not be regulated as rigorously as they would be if traded on or subject to the rules of an exchange located in the United States, may not involve a clearing mechanism and related guarantees, and will be subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities, currencies and other instruments. The value of positions taken as part of non-U.S. Financial Instruments also could be adversely affected by: (i) other complex foreign political, legal and economic factors; (ii) lesser availability of data on which to make trading decisions than in the United States; (iii) delays in a Portfolio's ability to act upon economic events occurring in foreign markets during non-business hours in the United States; (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the United States; and (v) lower trading volume and liquidity.

**Cover.** Certain transactions using Financial Instruments expose a Portfolio to an obligation to another party. Each Portfolio will comply with SEC guidelines regarding cover for these instruments and will, if the guidelines so require, segregate cash or liquid assets in an account with its custodian in the prescribed amount as determined daily. A Portfolio will not enter into any such transactions unless it holds either (1) an offsetting (covered) position in securities, currencies or other options, futures contracts, forward contracts or swaps, or (2) cash and liquid assets with a value, marked-to-market daily, sufficient to cover its potential obligations to the extent not covered as provided in (1) above.

Assets used as cover or held in an account cannot be sold while the position in the corresponding Financial Instrument is open, unless they are replaced with other appropriate assets. As a result, the commitment of a large portion of a



Portfolio's assets to cover or to segregated accounts could impede portfolio management or the Portfolio's ability to meet redemption requests or other current obligations.

**Options.** A call option gives the purchaser the right, but not the obligation, to buy, and obligates the writer to sell, the underlying investment at the agreed-upon price during the option period. A put option gives the purchaser the right, but not the obligation, to sell, and obligates the writer to buy, the underlying investment at the agreed-upon price during the option period. Purchasers of options pay an amount, known as a premium, to the option writer in exchange for the right under the option contract. Options are traded on an organized, liquid exchange or in the OTC market.

The purchase of call options can serve as a long hedge, and the purchase of put options can serve as a short hedge. Writing put or call options can enable a Portfolio to enhance income or yield by reason of the premiums paid by the purchasers of such options.

Writing call options can serve as a limited short hedge, because declines in the value of the hedged investment would be offset to the extent of the premium received for writing the option. However, if the security or currency appreciates to a price higher than the exercise price of the call option, it can be expected that the option will be exercised and the Portfolio will be obligated to sell the security or currency at less than its market value.

Writing put options can serve as a limited long hedge because increases in the value of the hedged investment would be offset to the extent of the premium received for writing the option. However, if the security or currency depreciates to a price lower than the exercise price of the put option, it can be expected that the put option will be exercised and the Portfolio will be obligated to purchase the security or currency at more than its market value, which would be expected to result in a loss.

The value of an option position will reflect, among other things, the current market value of the underlying investment, the time remaining until expiration, the relationship of the exercise price to the market price of the underlying investment, the anticipated future price volatility of the underlying investment and general market conditions. Purchased options that expire unexercised have no value.

A Portfolio may effectively terminate its right or obligation under an option by entering into a closing transaction. For example, a Portfolio may terminate its obligation under a call or put option that it had written by purchasing the call or put option; this is known as a closing purchase transaction. Conversely, a Portfolio may terminate a position in a put or call option it had purchased by selling the put or call option; this is known as a closing sale transaction. Closing transactions permit a Portfolio to realize profits or limit losses on an option position prior to its exercise or expiration.

A type of put that a Portfolio may purchase is an optional delivery standby commitment, which is entered into by parties selling debt securities to the Portfolio. An optional delivery standby commitment gives the Portfolio the right to sell the security back to the seller on specified terms. This right is provided as an inducement to purchase the security.

**Risks of Options on Securities.** Options can offer large amounts of leverage, which may result in a Portfolio's NAV being more sensitive to changes in the value of the related instrument. Each Portfolio may purchase or write both options that are traded on domestic and foreign exchanges and OTC options. Exchange-traded options on securities in the United States are issued by the Options Clearing Corporation that, in effect, guarantees completion of every exchange-traded option transaction. In contrast, OTC options are contracts between a Portfolio and its counterparty (usually a securities dealer or a bank) with no clearing organization guarantee. Thus, when a Portfolio purchases an OTC option, it relies on the counterparty from whom it purchased the option to make or take delivery of the underlying investment upon exercise of the option. Failure by the counterparty to do so could result in the loss of any premium paid by the Portfolio as well as the loss of any expected benefit of the transaction. A Portfolio seeks to mitigate this risk by entering into a bilateral credit support arrangement with the counterparty, which requires the posting of collateral to cover the market value of purchased options, which would mitigate the possibility of losing any premium paid by a Portfolio, as well as any loss of expected benefit of the transaction.

A Portfolio's ability to establish and close out positions in exchange-listed options depends on the existence of a liquid market, and there can be no assurance that such a market will exist at any particular time. Closing transactions can be

made for OTC options only by negotiating directly with the counterparty, or by negotiating with a different counterparty willing to take the Portfolio's place in the contract, called a novation. There can be no assurance that a Portfolio will in fact be able to close out an OTC option position at a favorable price prior to expiration. In the event of insolvency of the counterparty, the Portfolio would be able to terminate the position held with such counterparty; but, due to insolvency proceedings, might incur a significant delay in recovering any amounts owed to the Portfolio.

If a Portfolio were unable to effect a closing transaction for an option it had purchased, it would have to exercise the option to realize any profit. The inability to enter into a closing purchase transaction or an economically offsetting purchase transaction from another counterparty for a covered call option written by a Portfolio could cause material losses to such Portfolio because the Portfolio would, if unable to substitute other collateral, be unable to sell the investment used as cover for the written option until the option expires or is exercised.

**Options on Indexes.** Puts and calls on indexes are similar to puts and calls on securities or futures contracts except that all settlements are in cash and gain or loss depends on changes in the index in question rather than on price movements in individual securities or futures contracts. When a Portfolio writes a call on an index, it receives a premium and agrees that the purchaser of the call, upon exercise of the call, will receive from the Portfolio an amount of cash if the closing level of the index upon which the call is based is greater than the exercise price of the call. The amount of cash is equal to the difference between the closing price of the index and the exercise price of the call times a specified multiple (multiplier), which determines the total dollar value for each point of such difference. When a Portfolio buys a call on an index, it pays a premium and has the same rights as to such call as are indicated above. When a Portfolio buys a put on an index, it pays a premium and has the right to require the seller of the put, upon the Portfolio's exercise of the put, to deliver to the Portfolio an amount of cash if the closing level of the index upon which the put is based is less than the exercise price of the put, which amount of cash is determined by the multiplier, as described above for calls. When a Portfolio writes a put on an index, it receives a premium and the purchaser of the put has the right to require the Portfolio to deliver to the purchaser an amount of cash equal to the difference between the closing level of the index and the exercise price times the multiplier if the closing level is less than the exercise price. The timing of the right of an option owner to exercise the option depends on the type of option and negotiations between the purchaser and seller.

**Risks of Options on Indexes.** The risks of investment in options on indexes may be greater than options on securities. Because index options are settled in cash, when a Portfolio writes a call on an index, it cannot provide in advance for its potential settlement obligations by acquiring and holding the underlying securities. A Portfolio can offset some of the risk of writing a call index option by holding a diversified portfolio of securities similar to those on which the underlying index is based. However, a Portfolio cannot, as a practical matter, acquire and hold a portfolio containing exactly the same securities as underlie the index and, as a result, bears a risk that the value of the securities held will vary from the value of the index.

Even if a Portfolio could assemble a portfolio that exactly reproduced the composition of the underlying index, it still would not be fully covered from a risk standpoint because of the timing risk inherent in writing index options. When an index option is exercised, the amount of cash that the holder is entitled to receive is determined by the difference between the exercise price and the closing index level on the date when the option is exercised. This timing risk is an inherent limitation on the ability of index call option writers to cover their risk exposure by holding securities positions.

**Over-the-Counter (OTC) Options.** Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size and strike price, the terms of OTC options (options not traded on an exchange) typically are established by a Portfolio, and negotiated with a counterparty, prior to entering into the option contract. While this type of arrangement allows a Portfolio the flexibility to tailor the option to its needs, OTC options involve counterparty risk that is not applicable to exchange-traded options, which are guaranteed by the clearing organization of the exchange where they are traded. Some of a Portfolio's counterparties are guaranteed by their parent holding companies with respect to that counterparty's payment obligations under OTC trades (like OTC options). This helps to mitigate such counterparty risk.

Generally, OTC foreign currency options used by a Portfolio are European-style options. This means that the option is only exercisable at its expiration. This is in contrast to American-style options, which are exercisable at any time prior to the expiration date of the option.

**Futures Contracts and Options on Futures Contracts.** Generally, a futures contract is a standardized agreement to buy or sell a specific quantity of an underlying reference instrument, such as a security, index, currency or commodity at a specific price on a specific date in the future. The purchase of futures contracts or call options on futures contracts can serve as a long hedge, and the sale of futures contracts or the purchase of put options on a futures contract can serve as a short hedge. Writing call options on futures contracts can serve as a limited short hedge, using a strategy similar to that used for writing call options on securities or indexes. Similarly, writing put options on futures contracts can serve as a limited long hedge. Futures contracts and options on futures contracts also can be purchased and sold to attempt to enhance income or yield.

In addition, futures contract strategies can be used to manage the average duration of a Portfolio's fixed-income holdings. If the Investment Manager wishes to shorten the average duration of a Portfolio's fixed-income holdings, the Portfolio may sell a debt futures contract or a call option thereon, or purchase a put option on that futures contract. If the Investment Manager wishes to lengthen the average duration of a Portfolio's fixed-income holdings, the Portfolio may buy a debt futures contract or a call option thereon, or sell a put option thereon.

No price is paid upon entering into a futures contract. Instead, at the inception of a futures contract a Portfolio is required to deposit initial margin that typically is calculated as an amount equal to the volatility in market value of a contract over a fixed period. Initial margin requirements are determined by the respective exchanges on which the futures contracts are traded and the FCM. Margin also must be deposited when writing a call or put option on a futures contract, in accordance with applicable exchange rules. Unlike margin in securities transactions, initial margin on futures contracts and options thereon does not represent a borrowing, but rather is in the nature of a performance bond or good-faith deposit that is returned to the Portfolio at the termination of the transaction if all contractual obligations have been satisfied. Under certain circumstances, such as periods of high volatility, a Portfolio may be required by an exchange to increase the level of its initial margin payment, and initial margin requirements might be increased generally in the future by regulatory action.

Subsequent variation margin payments are made to and from the FCM daily as the value of the futures position varies, a process known as marking-to-market. Variation margin does not involve borrowing, but rather represents a daily settlement of a Portfolio's obligations to or from a FCM. When a Portfolio purchases an option on a futures contract, the premium paid plus transaction costs is all that is at risk. In contrast, when a Portfolio purchases or sells a futures contract or writes a call or put option thereon, it is subject to daily variation margin calls that could be substantial in the event of adverse price movements. If a Portfolio has insufficient cash to meet daily variation margin requirements, it might need to sell securities at a time when such sales are disadvantageous.

Purchasers and sellers of futures contracts and options on futures contracts can enter into offsetting closing transactions, similar to closing transactions on options, by selling or purchasing the instrument purchased or sold. Positions in futures contracts and options on futures contracts may be closed only on an exchange or board of trade that provides a market for such contracts and options. However, there can be no assurance that a liquid market will exist for a particular contract at a particular time. In such event, it may not be possible to close a futures contract or options position.

Under certain circumstances, futures exchanges may establish daily limits on the amount that the price of a futures contract or an option on a futures contract can vary from the previous day's settlement price; once that limit is reached, no trades may be made that day at a price beyond the limit. Daily price limits do not limit potential losses because prices could move to the daily limit for several consecutive days with little or no trading, thereby preventing liquidation of unfavorable positions. In addition, the CFTC and various exchanges have established limits referred to as "speculative position limits" or "accountability levels" on the maximum net long or net short position that any person, such as a Portfolio, may hold or control in a particular futures contract or option thereon. For more information, see *Speculative Position Limits*.

If a Portfolio were unable to liquidate a futures contract or an option on a futures position due to the absence of a liquid secondary market or the imposition of price limits, it could incur substantial losses. The Portfolio would continue to be subject to market risk with respect to the position. In addition, except in the case of purchased options, the Portfolio would continue to be required to make daily variation margin payments and might be required to maintain the position being hedged by the futures contract or option or to maintain cash or liquid assets in an account.

**Risks of Futures Contracts and Options.** The purchase or sale of a futures contract may result in losses to a Portfolio in excess of the amount that the Portfolio delivered as initial margin. Because of the relatively low margin deposits required, futures trading involves a high degree of leverage; as a result, a relatively small price movement in a futures contract may result in immediate and substantial loss, or gain, to a Portfolio. There also is a risk of loss by a Portfolio of the initial and variation margin deposits in the event of bankruptcy of the FCM with which the Portfolio has an open position in a futures contract. The assets of a Portfolio may not be fully protected in the event of the bankruptcy of the FCM or central counterparty because the Portfolio might be limited to recovering only a pro rata share of all available funds and margin segregated on behalf of an FCM's customers. If an FCM does not provide accurate reporting, a Portfolio also is subject to the risk that the FCM could use the Portfolio's assets, which are held in an omnibus account with assets belonging to the FCM's other customers, to satisfy its own financial obligations or the payment obligations of another customer.

Futures contracts that are traded on non-U.S. exchanges may not be as liquid as those purchased on CFTC-designated contract markets. In addition, non-U.S. futures contracts may be subject to varied regulatory oversight. The price of any non-U.S. futures contract and, therefore, the potential profit and loss thereon, may be affected by any change in the non-U.S. exchange rate between the time a particular order is placed and the time it is liquidated, offset or exercised.

The amount of risk a Portfolio assumes when it purchases an option on a futures contract is the premium paid for the option plus related transaction costs. The purchase of an option also entails the risk that changes in the value of the underlying futures contract will not be fully reflected in the value of the option purchased. When a Portfolio sells (writes) an option on a futures contract, the Portfolio is subject to the risk of having to take a possibly adverse futures position if the purchaser of the option exercises its rights. If a Portfolio were required to take such a position, it could bear substantial losses.

The ordinary spreads between prices in the cash and futures markets (including the options on futures market), due to differences in the natures of those markets, are subject to the following factors, which may create distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions, which could distort the normal relationship between the cash and futures markets. Second, in the case of a physically settled futures contract, the liquidity of the futures market depends on participants entering into offsetting transactions rather than making or taking delivery. To the extent participants decide to make or take delivery, liquidity in the futures market could be reduced, thus producing distortion. Third, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market may cause temporary price distortions. Due to the possibility of distortion, a correct forecast of general interest rate, currency exchange rate or stock market trends by the Investment Manager still may not result in a successful transaction. The Investment Manager may be incorrect in its expectations as to the extent of various interest rate, currency exchange rate or stock market movements or the time span within which the movements take place.

**Index Futures.** When a Portfolio utilizes an index futures contract in an attempt to hedge, the risk of imperfect correlation between movements in the price of an index futures contract and movements in the price of the securities that are the subject of the hedge increases as the composition of the Portfolio's holdings diverges from the securities included in the applicable index. The price of the index futures contract may move more than or less than the price of the securities being hedged. If the price of the index futures contract moves less than the price of the securities that are the subject of the hedge, the hedge will not be fully effective but, if the price of the securities being hedged has moved in an unfavorable direction, the Portfolio would be in a better position than if it had not hedged at all. If the price of the securities being hedged has moved in a favorable direction, this advantage will be partially offset by the futures contract. If the price of the futures contract moves more than the price of the securities, the Portfolio will experience either a loss or a gain on the futures contract that will not be completely offset by movements in the price of the securities that are the subject of the hedge. To compensate for the imperfect correlation of movements in the price of the securities being hedged and movements in the price of the index futures contract, a Portfolio may buy or sell index futures contracts in a greater or lesser dollar amount than the dollar amount of the securities being hedged if the historical volatility of the prices of the securities being hedged is more than the historical volatility of the prices of the securities included in the index.



It also is possible that, where a Portfolio has sold index futures contracts in an attempt to hedge against a decline in the market, the market may advance and the value of the securities held in the portfolio may decline. If this occurred, the Portfolio would lose money on the futures contract and also experience a decline in value of its portfolio securities. However, while this could occur for a very brief period or to a very small degree, over time the value of a diversified portfolio of securities will tend to move in the same direction as the market indexes on which the futures contracts are based.

Where index futures contracts are purchased in an attempt to hedge against a possible increase in the price of securities before a Portfolio is able to invest in them in an orderly fashion, it is possible that the market may decline instead. If a Portfolio then concludes not to invest in them at that time because of concern as to possible further market decline or for other reasons, it will realize a loss on the futures contract that is not offset by a reduction in the price of the securities it had anticipated purchasing.

**Foreign Currency Hedging Strategies — Special Considerations.** Subject to its investment policies and restrictions, each Portfolio (other than Ivy VIP Government Money Market) may use options and futures contracts on foreign currencies (including the euro), as described above, and forward foreign currency contracts (forward currency contracts), as described below, in an attempt to hedge against movements in the values of the foreign currencies in which the Portfolio's securities are denominated or in an attempt to enhance income or yield. Currency hedges can protect against price movements in a security that a Portfolio owns or intends to acquire that are attributable to changes in the value of the currency in which it is denominated. Such hedges do not, however, protect against price movements in the securities that are attributable to other causes.

A Portfolio might seek to hedge against changes in the value of a particular currency when no Financial Instruments on that currency are available or such Financial Instruments are more expensive than certain other Financial Instruments. In such cases, the Portfolio may seek to hedge against price movements in that currency by entering into transactions using Financial Instruments on another currency or a basket of currencies, the values of which the Investment Manager believes will have a high degree of positive correlation to the value of the currency being hedged. The risk that movements in the price of the Financial Instrument will not correlate perfectly with movements in the price of the currency subject to the hedging transaction is magnified when this strategy is used.

The value of Financial Instruments on foreign currencies depends on the value of the underlying currency relative to the U.S. dollar.

There is no systematic reporting of last sale information for foreign currencies or any regulatory requirement that quotations available through dealers or other market sources be firm or revised on a timely basis. The interbank market in foreign currencies is a global, round-the-clock market. To the extent the U.S. options or futures markets are closed while the markets for the underlying currencies remain open, significant price and rate movements might take place in the underlying markets that cannot be reflected in the markets for the Financial Instruments until they reopen.

Settlement of transactions involving foreign currencies might be required to take place within the country issuing the underlying currency. Thus, a Portfolio might be required to accept or make delivery of the underlying foreign currency in accordance with any U.S. or foreign regulations regarding the maintenance of foreign banking arrangements by U.S. residents and might be required to pay any fees, taxes and charges associated with such delivery assessed in the issuing country.

**Forward Currency Contracts.** Subject to its investment policies and restrictions, each Portfolio (other than Ivy VIP Government Money Market) may enter into forward currency contracts to purchase or sell foreign currencies for a fixed amount of U.S. dollars or another foreign currency. A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days (term) from the date of the forward currency contract agreed upon by the parties, at a price set at the time of the entry into the forward currency contract. These forward currency contracts are traded directly between currency traders (usually large commercial banks) and their customers. Such transactions may serve as long hedges; for example, a Portfolio may purchase a forward currency contract to lock in the U.S. dollar price of a security denominated in a foreign currency that the Portfolio intends to acquire. Forward currency contract transactions also may serve as short hedges; for example, a Portfolio may sell a



forward currency contract to lock in the U.S. dollar equivalent of the proceeds from the anticipated sale of a security or a dividend or interest payment denominated in a foreign currency.

A Portfolio also may use forward currency contracts in an attempt to hedge against a decline in the value of existing investments denominated in foreign currency. For example, if the Portfolio owned securities denominated in euros, it could enter into a forward currency contract to sell euros in return for U.S. dollars to hedge against possible declines in the euro's value. Such a hedge, sometimes referred to as a position hedge, would tend to offset both positive and negative currency fluctuations, but would not offset changes in security values caused by other factors. The Portfolio also could hedge the position by selling another currency expected to perform similarly to the euro. This type of hedge, sometimes referred to as a proxy hedge, could offer advantages in terms of cost, yield or efficiency, but generally would not hedge currency exposure as effectively as a simple hedge into U.S. dollars. Proxy hedges may result in losses if the currency used to hedge does not perform similarly to the currency in which the hedged securities are denominated.

A Portfolio also may use forward currency contracts in an attempt to enhance income or yield. The Portfolio could use forward currency contracts to increase its exposure to foreign currencies that the Investment Manager believes might rise in value relative to the U.S. dollar, or shift its exposure to foreign currency fluctuations from one country to another. For example, if the Portfolio owned securities denominated in a foreign currency and the Investment Manager believed that currency would decline relative to another currency, it might enter into a forward currency contract to sell an appropriate amount of the first foreign currency, with payment to be made in the second foreign currency. This is accomplished through contractual agreements to purchase or sell a specified currency at a specified future date and price set at the time of the contract. Forward currency contracts are currently individually negotiated and privately traded by currency traders and their customers. These forward currency contracts may involve the sale of U.S. dollars and the purchase of a foreign currency, or may be foreign cross-currency contracts involving the sale of one foreign currency and the purchase of another foreign currency; such foreign cross-currency contracts may be considered a hedging rather than a speculative strategy if the Portfolio's commitment to purchase the new (more favorable) currency is limited to the market value of the Portfolio's securities denominated in the old (less favorable) currency. The Portfolio segregates liquid assets, such as cash, short-term securities and other liquid securities (marked to the market daily), having a value equal to, or greater than, any commitments to purchase currency on a forward basis. The prediction of currency movements is extremely difficult and the successful execution of a speculative strategy is highly uncertain.

The cost to a Portfolio of engaging in forward currency contracts varies with factors such as the currency involved, the length of the contract period and the market conditions then prevailing.

As is the case with futures contracts, purchasers and sellers of forward currency contracts can enter into offsetting closing transactions by selling or purchasing, respectively, an instrument identical to the instrument purchased or sold. Currently, secondary markets generally do not exist for forward currency contracts. Closing transactions generally can be made for forward currency contracts by negotiating directly with the counterparty or by entering an offsetting transaction with a second counterparty. There can be no assurance that a Portfolio will be able to close out a forward currency contract at a favorable price prior to maturity and, in such cases, the Portfolio would continue to be subject to market currency risk with respect to the position, and may continue to be required to maintain a position in securities denominated in the foreign currency or to maintain cash or liquid assets in an account. In addition, in the event of insolvency of the counterparty, the Portfolio might be unable to promptly terminate the position held with such counterparty and might incur a significant delay in recovering any amounts owed to the Portfolio. Even if the Portfolio entered an offsetting transaction with a second counterparty, the Portfolio would continue to be subject to settlement risk relating to the transaction with the insolvent counterparty.

The precise matching of forward currency contract amounts and the value of the securities involved generally will not be possible because the value of such securities, measured in the foreign currency, will change after the forward currency contract has been established. Thus, a Portfolio might need to purchase or sell foreign currencies in the spot (cash) market to the extent such foreign currencies are not covered by forward currency contracts. The projection of short-term currency market movements is extremely difficult, and the successful execution of a short-term hedging strategy is highly uncertain.

Normally, consideration of the prospect for currency parities will be incorporated into the longer-term investment decisions made with regard to overall diversification strategies. However, the Investment Manager believes that it is important to have the flexibility to enter into such forward currency contracts when it determines that the best interests of a Portfolio will be served.

Successful use of forward currency contracts depends on the skill of the Investment Manager in analyzing and predicting currency values. Forward currency contracts may substantially change a Portfolio's exposure to changes in currency exchange rates and could result in losses to the Portfolio if currencies do not perform as the Investment Manager anticipates. There is no assurance that the Investment Manager's use of forward currency contracts will be advantageous to a Portfolio or that the Investment Manager will hedge at an appropriate time.

Forward currency contracts in which a Portfolio may engage include deliverable foreign exchange forwards. A deliverable foreign exchange forward contract provides for the actual exchange of the principal amounts of the two currencies in the contract (*i.e.*, settlement on a physical basis). Foreign exchange forwards typically are traded in the interbank market directly between currency traders (usually large commercial banks) and their customers. Foreign exchange dealers realize a profit based on the difference (the spread) between the prices at which they are buying and the prices at which they are selling various currencies. A Portfolio also may be required to pay certain commissions. When a Portfolio enters into a deliverable foreign exchange forward, it relies on the counterparty to make or take delivery of the underlying currency at the maturity of the contract. Failure by the counterparty to do so would result in the loss of any expected benefit of the transaction.

A Portfolio may be required to obtain the currency that it must deliver under the foreign exchange forward through the sale of portfolio securities denominated in such currency or through conversion of other assets of the Portfolio into such currency.

A Portfolio also may enter into forward currency contracts that do not provide for physical settlement of the two currencies (each, a Reference Currency), but instead provide for settlement by a single cash payment calculated as the difference between the agreed-upon exchange rate and the prevailing market exchange rate at settlement based upon an agreed-upon notional amount (non-deliverable forwards, or NDFs). NDFs have a fixing date and a settlement (delivery) date. The fixing date is the date and time at which the difference between the prevailing market exchange rate and the agreed upon exchange rate is calculated. The settlement (delivery) date is the date by which the payment of the Settlement Amount is due to the party receiving payment.

NDFs typically may have terms from one month up to two years and are settled in U.S. dollars.

NDFs are subject to many of the risks associated with derivatives in general and forward currency transactions, including risks associated with fluctuations in foreign currency and the risk that the counterparty will fail to fulfill its obligations. Under definitions adopted by the CFTC and SEC, NDFs are considered swaps, and therefore are included in the definition of "commodity interests." In contrast, forward currency contracts that qualify as deliverable forwards are not regulated as swaps for most purposes, and are not included in the definition of "commodity interests." However these forwards are subject to some requirements applicable to swaps, including reporting to swap data repositories, documentation requirements, and business conduct rules applicable to swap dealers. CFTC regulation of forward currency contracts, especially NDFs, may restrict the Portfolio's ability to use these instruments in the manner described above.

Although NDFs historically have been traded OTC, as swaps they may in the future be required to be centrally cleared and traded on public facilities. Under such circumstances, they would be centrally cleared and a secondary market for them normally would exist. With respect to NDFs that are centrally-cleared, an investor could lose margin payments it has deposited with the clearing organization as well as the net amount of gains not yet paid by the clearing organization if the clearing organization breaches its obligations under the NDF, becomes insolvent or goes into bankruptcy. In the event of bankruptcy of the clearing organization, the investor may be entitled to the net amount of gains the investor is entitled to receive plus the return of margin owed to it only in proportion to the amount received by the clearing organization's other customers, potentially resulting in losses to the investor. Even if some NDFs remain traded OTC, they will be subject to margin requirements for uncleared swaps and counterparty risk common to other swaps.

**Speculative Position Limits.** The CFTC and various exchanges have established limits referred to as “speculative position limits” or “accountability levels” on the maximum net long or short futures positions that any person or group of persons under common trading control (other than a hedger, which the Portfolios are not) may hold, own or control in a particular futures contract or option on a futures contract. Trading limits also are imposed on the maximum number of contracts that any person may trade on a particular trading day. An exchange may order the liquidation of positions found to be in violation of these limits and it may impose other sanctions or restrictions. Among the purposes of speculative position limits is to prevent a corner or squeeze on a market or undue influence on prices by any single trader or group of traders. The current federal speculative position limits established by the CFTC apply to certain agricultural commodity positions, such as grains (oats, corn, and wheat), the soybeans complex (soybeans, soybean oil and soybean meal) and cotton.

On October 15, 2020, the CFTC adopted rules to impose limits on speculative positions in 25 “core” physical commodity futures contracts, as well as swaps that are economically equivalent to such contracts, in the agriculture, energy and metals markets (the “Position Limit Rules”). Among other things, the Position Limit Rules: identify which contracts are subject to speculative position limits; set thresholds that restrict the size of speculative positions that a person may hold in the spot month; create an exemption for positions that constitute bona fide hedging transactions; impose responsibilities on designated contract markets (“DCMs”) and swap execution facilities (“SEFs”) to establish position limits or, in some cases, position accountability rules; and apply to both futures and swaps across four relevant venues: OTC, DCMs, SEFs as well as certain non-U.S. located platforms. For the purpose of the Position Limit Rules, a market participant is generally required, subject to certain narrow exceptions, to aggregate all positions for which that participant controls the trading decisions with all positions for which that participant has a 10 percent or greater ownership interest in an account or position, as well as the positions of two or more persons acting pursuant to an express or implied agreement or understanding with that market participant (the “Aggregation Rules”).

Compliance with the Position Limit Rules will not be required, for the “core” energy and metal futures contracts, until January 2022, and for economically equivalent swaps, until January 2023. The full implementation of the Portfolios' investment strategies could be negatively impacted by the existing or any future position limits regulations.

**Combined Positions.** A Portfolio may purchase and write options in combination with each other, or in combination with futures contracts or forward contracts, to adjust the risk and return characteristics of its overall position. A combined position usually will contain elements of risk that are present in each of its component transactions. For example, the Portfolio may purchase a put option and write a call option on the same underlying instrument in order to construct a combined position whose risk and return characteristics are similar to selling a futures contract. The Portfolio also may write a put option and purchase a call option on the same underlying instrument in order to construct a combined position whose risk and return characteristics are similar to holding the underlying instrument. Because combined options positions involve multiple trades, they may result in higher transaction costs, may be more difficult to open and close out and may perform in unanticipated ways. Because combined positions, like other Financial Instruments may require cash outlays that are only a small portion of the amount of exposure obtained through the combined positions, a Portfolio's investment exposure gained through these combined positions could exceed its net assets.

**Turnover.** A Portfolio's options and futures contracts activities may affect its turnover rate and brokerage commission payments. The exercise of calls or puts written by a Portfolio, and the sale or purchase of futures contracts, may cause it to sell or purchase related investments, thus increasing its turnover rate. Once a Portfolio has received an exercise notice on an option it has written, it cannot effect a closing transaction in order to terminate its obligation under the option and must deliver or receive the underlying securities at the exercise price. The exercise of puts purchased by a Portfolio also may cause the sale of related investments, also increasing turnover; although such exercise is within the Portfolio's control, holding a protective put might cause it to sell the related investments for reasons that would not exist in the absence of the put. A Portfolio pays a brokerage commission each time it buys or sells a put or call or purchases or sells a futures contract. Such commissions could be higher than those that would apply to direct purchases or sales.

**Swaps, Caps, Floors and Collars.** Each Portfolio (other than Ivy VIP Government Money Market) may enter into swaps, including caps, floors and collars, for any legal purpose consistent with its investment objective(s) and policies, including to attempt: to obtain or preserve a particular return or a spread on a particular investment or portion of its portfolio; to protect against an increase in the price of securities the Portfolio anticipates purchasing at a later date; to

protect against currency fluctuations; to use as a duration management technique; to enhance income or capital gains; to protect against a decline in the price of securities the Portfolio currently owns; or to gain exposure to certain markets in an economical way.

A swap is an agreement involving the exchange by a Portfolio with another party of their respective commitments to pay or receive payments at specified dates based upon or calculated by reference to changes in specified prices or rates (*e.g.*, interest rates in the case of interest rate swaps) based on a specified amount (the “notional” amount). Examples of swap agreements include, but are not limited to, equity, commodity, index or other total return swaps, foreign currency swaps, credit default swaps and interest rate swaps.

The Dodd-Frank Act and related regulatory developments have imposed comprehensive new regulatory requirements on swaps and swap market participants. The regulatory framework includes: (1) registration and regulation of swap dealers and major swap participants; (2) requiring central clearing and execution of standardized swaps; (3) imposing margin requirements on swap transactions; (4) regulating and monitoring swap transactions through position limits and large trader reporting requirements; and (5) imposing record keeping and centralized and public reporting requirements, on an anonymous basis, for most swaps. The CFTC is responsible for the regulation of most swaps. The SEC has jurisdiction over a small segment of the market referred to as “security-based swaps,” which includes swaps on single securities or credits, or narrow-based indices of securities or credits.

A swap agreement may be negotiated bilaterally and traded OTC between the two parties (for an uncleared swap) or, in some instances, must be transacted through an FCM and cleared through a clearinghouse that serves as a central counterparty (for a cleared swap). Certain standardized swaps currently are, and more in the future are expected to be, subject to mandatory central clearing and exchange-trading. The Dodd-Frank Act and implementing rules will ultimately require the clearing and exchange- trading of many swaps. Mandatory exchange-trading and clearing will occur on a phased-in basis based on the type of market participant, CFTC approval of contracts for central clearing and public trading facilities making such cleared swaps available to trade. To date, the CFTC has designated only certain of the most common types of credit default index swaps and interest rate swaps as subject to mandatory clearing and certain public trading facilities have made certain of those cleared swaps available to trade, but it is expected that additional categories of swaps will in the future be designated as subject to mandatory clearing and trade execution requirements. Central clearing is intended to reduce counterparty credit risk and increase liquidity, but central clearing does not eliminate these risks and may involve additional costs and risks not involved with uncleared swaps.

In an uncleared swap, the swap counterparty typically is a brokerage firm, bank or other financial institution. During the term of an uncleared swap, a Portfolio will be required to pledge to the swap counterparty, from time to time, an amount of cash and/or other assets equal to the total net amount (if any) that would be payable by the Portfolio to the counterparty if all outstanding swaps between the parties were terminated on the date in question, including any early termination payments. Likewise, the counterparty will be required to pledge cash or other assets to cover its obligations to the Portfolio. However, the amount pledged may not always be equal to or more than the amount due to the other party. Therefore, if a counterparty defaults in its obligations to a Portfolio, the amount pledged by the counterparty and available to the Portfolio may not be sufficient to cover all the amounts due to the Portfolio and the Portfolio may sustain a loss.

In a cleared swap, a Portfolio's ultimate counterparty is a central clearinghouse rather than a brokerage firm, bank or other financial institution. Cleared swaps are submitted for clearing through each party's FCM, which must be a member of the clearinghouse that serves as the central counterparty. Transactions executed on a SEF may increase market transparency and liquidity but may require the Portfolio to incur increased expenses to access the same types of swaps that it has used in the past. When a Portfolio enters into a cleared swap, it must deliver to the central counterparty (via the FCM) an amount referred to as “initial margin.” Initial margin requirements are determined by the central counterparty, and are typically calculated as an amount equal to the volatility in market value of the cleared swap over a fixed period, but an FCM may require additional initial margin above the amount required by the central counterparty. During the term of the swap agreement, a “variation margin” amount also may be required to be paid by a Portfolio or may be received by a Portfolio in accordance with margin controls set for such accounts.



Swap agreements can be structured to provide exposure to a variety of different types of investments or market factors. For example, in an interest rate swap, fixed-rate payments may be exchanged for floating rate payments; in a currency swap, U.S. dollar-denominated payments may be exchanged for payments denominated in a foreign currency; and in a total return swap, payments tied to the investment return on a particular asset, group of assets or index may be exchanged for payments that are effectively equivalent to interest payments or for payments tied to the return on another asset, group of assets or index.

Caps, floors and collars have an effect similar to buying or writing options; they allow a purchaser to attempt to protect itself against interest rate movements exceeding specified minimum or maximum levels. The purchase of a cap entitles the purchaser to receive payments from the seller on a notional principal amount to the extent that a specified index exceeds a predetermined value. The purchase of a floor entitles the purchaser to receive payments from the seller on a notional principal amount to the extent that a specified index falls below a predetermined value. A collar combines elements of buying a floor and selling a cap.

In a long total return equity swap, a Portfolio will receive, and, in a short total return swap, a Portfolio pays, the price appreciation of an equity index, a custom basket of equity securities, or a single equity, plus any dividend or coupon income from such securities, in exchange for payments equivalent to a floating rate of interest, or if the equity swap is for the equivalent of one interest rate period, a fixed fee that is established at the outset of the swap. Floating rate payments are pegged to a base rate, such as the federal funds rate, that is periodically adjusted. Therefore, if interest rates increase over the term of the swap contract, a Portfolio may be required to pay a higher amount at each swap reset date.

A Portfolio may enter into credit default swap contracts for hedging or investment purposes. The Portfolio may either sell or buy credit protection under these contracts. The seller in a credit default swap contract is required to pay the par (or other agreed-upon) value of a referenced debt obligation to the buyer in exchange for an equal face amount of deliverable obligations of the referenced debt obligation (or other agreed-upon debt obligation) described in the swap, or the seller may be required to deliver the related net cash amount, if the swap is cash settled, if there is a credit event by the issuer of that debt obligation. In return, the seller receives from the buyer a periodic stream of payments over the term of the contract or, if earlier, until the occurrence of a credit event. If the contract is terminated prior to its stated maturity, either the seller or the buyer would make a termination payment to the other in an amount approximately equal to the amount by which the value of the contract has increased in value to the recipient of the settlement payment. For example, if the contract is more valuable to the buyer (as would normally occur if the creditworthiness of the issuer of the referenced debt obligation has decreased), the seller would make a termination payment to the buyer. As the seller of credit protection, a Portfolio would effectively add leverage to the extent the notional amount exceeds the amount of cash the Portfolio has because, in addition to its total net assets, the Portfolio would be subject to the investment exposure of the notional amount of the swap. As the buyer, a Portfolio normally would be hedging its exposure on debt obligations that it holds.

Swap agreements may shift a Portfolio's investment exposure from one type of investment to another. For example, if the Portfolio agrees to exchange payments in U.S. dollars for payments in foreign currency, the swap agreement would tend to decrease the Portfolio's exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Most swap agreements provide that, when the periodic payment dates for both parties are the same, payments are netted, and only the net amount is paid to the counterparty entitled to receive the net payment. Consequently, a Portfolio's current obligations (or rights) under a swap agreement generally will be equal only to the net amount to be paid or received under the agreement, based on the relative values of the positions held by each counterparty.

Because swap agreements may have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in gains or losses that are substantially greater than the amount invested in the swap itself. Certain swaps have the potential for unlimited loss, regardless of the size of the initial investment. The net amount of the excess, if any, of a Portfolio's obligations over its entitlements with respect to each swap will be accrued on a daily basis and an amount of cash or liquid assets having an aggregate value at least equal to the accrued excess will be maintained in an account with the Portfolio's custodian that satisfies the requirements of the 1940 Act. The Portfolio also will establish and maintain such account with respect to its total obligations under any swaps that are not entered into on a net basis and with respect to any caps or floors that are written by the Portfolio. The Investment Manager and each Portfolio believe that such obligations do not constitute senior securities under the 1940 Act and, accordingly, do not treat them as being subject to the Portfolio's borrowing restrictions.



The use of swap agreements entails certain risks that may be different from, or possibly greater than, the risks associated with investing directly in the referenced assets that underlie the swap agreement. Swaps are highly specialized instruments that require investment techniques and risk analyses different from those associated with stocks, bonds, and other traditional investments.

The use of a swap requires an understanding not only of the referenced asset, referenced rate, or index but also of the swap itself. If the Investment Manager attempts to use a swap as a hedge against, or as a substitute for, a Portfolio's portfolio investment, the Portfolio will be exposed to the risk that the swap will have or will develop an imperfect or no correlation with the portfolio investment. This could cause significant losses for the Portfolio. While hedging strategies involving swap instruments can reduce the risk of loss, they also can reduce the opportunity for gain or even result in losses by offsetting favorable price movements in other Portfolio investments.

As with other investments, swap agreements are subject to the risk that the market value of the instrument will change in a way detrimental to a Portfolio's interest. The Portfolio bears the risk that the Investment Manager will not accurately forecast future market trends or the values of assets, reference rates, indexes, or other economic factors in establishing swap positions for the Portfolio.

To the extent a swap is not centrally cleared, the use of a swap also involves the risk that a loss may be sustained as a result of the insolvency or bankruptcy of the counterparty or the failure of the counterparty to make required payments or otherwise comply with the terms of the agreement. The creditworthiness of firms with which a Portfolio enters into swaps, caps, floors or collars will be monitored by the Investment Manager. If a counterparty's creditworthiness declines, the value of the swap might decline, potentially resulting in losses. Changing conditions in a particular market area, whether or not directly related to the referenced assets that underlie the swap agreement, may have an adverse impact on the creditworthiness of the counterparty. For example, the counterparty may have experienced losses as a result of its exposure to a sector of the market that adversely affect its creditworthiness. If a default occurs by the other party to such transaction, the Portfolio may have contractual remedies pursuant to the agreements related to the transaction.

Central clearing is designed to reduce counterparty credit risk and increase liquidity compared to uncleared swaps because central clearing interposes the central clearinghouse as the counterparty to each participant's swap, but it does not eliminate those risks completely and may involve additional costs and risks not involved with uncleared swaps. There also is a risk of loss by a Portfolio of the initial and variation margin deposits in the event of bankruptcy of an FCM with which the Portfolio has an open position, or the central counterparty in a swap contract. The assets of a Portfolio may not be fully protected in the event of the bankruptcy of an FCM or central counterparty because the Portfolio might be limited to recovering only a pro rata share of all available funds and margin segregated on behalf of an FCM's customers. If an FCM does not provide accurate reporting, a Portfolio also is subject to the risk that the FCM could use the Portfolio's assets, which are held in an omnibus account with assets belonging to the FCM's other customers, to satisfy its own financial obligations or the payment obligations of another customer to the central counterparty. Credit risk of cleared swap participants is concentrated in a few clearinghouses, and the consequences of insolvency of a clearinghouse are not clear.

With cleared swaps, a Portfolio may not be able to obtain terms as favorable as it would be able to negotiate for a bilateral, uncleared swap. In addition, an FCM may unilaterally amend the terms of its agreement with a Portfolio, which may include the imposition of position limits or additional margin requirements with respect to the Portfolio's investment in certain types of swaps. Central counterparties and FCMs can require termination of existing cleared swap transactions upon the occurrence of certain events, and also can require increases in margin above the margin that is required at the initiation of the swap agreement.

Finally, a Portfolio is subject to the risk that, after entering into a cleared swap with an executing broker, no FCM or central counterparty is willing or able to clear the transaction. In such an event, the Portfolio may be required to break the trade and make an early termination payment to the executing broker.

### ***Payment-In-Kind (PIK) Securities***

Subject to its investment policies and restrictions, a Portfolio (other than Ivy VIP Government Money Market) may invest in PIK securities. PIK securities are securities that contain provisions that allow an issuer, at its discretion, to make

current interest payments either in cash or in the form of additional securities. These instruments may be valued at a deep discount from the face amount. Interest received in the form of additional securities is recorded as interest income. Federal tax law requires the holder of a PIK security to accrue that interest income with respect to the security regardless of the receipt (or non-receipt) of cash payments. Accordingly, although a Portfolio generally will not receive cash payments on PIK securities, it will have current income attributable to those securities. To avoid liability for federal income and excise taxes, therefore, a Portfolio may be required to distribute cash in an amount equal to income accrued with respect to those securities and may have to dispose of portfolio securities under disadvantageous circumstances in order to generate cash to make that distribution.

It is possible that by effectively increasing the principal balance payable to a Portfolio or deferring cash payment of such interest until maturity, the use of PIK features will increase the risk that such amounts will become uncollectible when due and payable. Prices of PIK securities may be more sensitive to changes in the issuer's financial condition, fluctuations in interest rates and market demand/supply imbalances than cash-paying securities with similar credit ratings, and thus may be more speculative than are securities that pay interest periodically in cash. Investments in PIK securities may be illiquid or restricted, which may make it difficult for a Portfolio to dispose of them or to determine their current value.

### ***Real Estate Investment Trust (REIT) Securities***

Subject to its investment policies and restrictions, a Portfolio (other than Ivy VIP Government Money Market) may invest in securities issued by REITs. A REIT is a domestic corporation (or a trust or association otherwise taxable as such for federal tax purposes) that meets certain requirements of the Code. The Code permits a qualifying REIT to deduct dividends it pays, thereby effectively eliminating entity-level federal income tax for a REIT that distributes all of its taxable income (including net capital gains) and making the REIT a modified pass-through vehicle for federal income tax purposes. To qualify for treatment as a REIT, a company must, among other things, derive at least 75% of its gross income each taxable year from real estate sources (such as rents from real estate, interest from mortgages on real estate, and gains from sales of real estate assets), and must annually distribute to its shareholders 90% or more of its taxable income (including net capital gains). Moreover, at the end of each quarter of its taxable year, at least 75% of the value of its total assets must be represented by real estate assets, cash and cash items and U.S. government securities. A REOC is a corporation or partnership (or an entity classified as such for federal tax purposes) that makes similar investments, except that a REOC has not elected or qualified to be taxed as a REIT and, therefore, among other differences, does not have a requirement to distribute any of its taxable income. REOCs also are more flexible than REITs in terms of what types of real estate investments they can make.

REITs are sometimes informally characterized as equity REITs, mortgage REITs and hybrid REITs. An equity REIT invests primarily in the fee ownership or leasehold ownership of land and buildings and derives its income primarily from rental income. A mortgage REIT invests primarily in mortgages on real estate, and derives its income primarily from interest payments received on credit it has granted. A hybrid REIT combines the characteristics of equity REITs and mortgage REITs. It is anticipated, although not required, that under normal circumstances, a majority of each Portfolio's investments in REITs will consist of shares issued by equity REITs.

The value of a REIT may be adversely affected by changes in the value of its underlying property or the property secured by mortgages the REIT holds, loss of the REIT's federal tax status or changes in laws and/or rules related to that status, or the REIT's failure to maintain its exemption from registration under the 1940 Act. The value of a REOC may be adversely affected by certain of the same factors that adversely affect REITs. In addition, a corporate REOC does not qualify for the favorable federal tax treatment that is accorded a REIT. A Portfolio may experience a decline in its income from REITs or REOCs due to falling interest rates or decreasing dividend payments.

### ***Repurchase Agreements and Reverse Repurchase Agreements***

Each Portfolio may purchase securities subject to repurchase agreements and reverse repurchase agreements, subject to its restriction on investment in illiquid investments, and subject to its investment policies and restrictions. A repurchase agreement is an instrument under which a Portfolio purchases a security and the seller (normally a commercial bank or broker-dealer) agrees, at the time of purchase, that it will repurchase the security at a specified time and price. A reverse repurchase agreement is the opposite: the Portfolio will sell the security with an obligation to repurchase it at an agreed-upon time and price. The amount by which the resale price is greater than the purchase price reflects an

agreed-upon market interest rate effective for the period of the agreement. The return on the securities subject to the repurchase agreement may be more or less than the return on the repurchase agreement.

The majority of repurchase agreements in which a Portfolio will engage are overnight transactions, and the delivery pursuant to the resale typically will occur within 1 to 5 days of the purchase. The primary risk from repurchase agreements is that the Portfolio may suffer a loss if the seller fails to pay the agreed-upon amount on the delivery date and that amount is greater than the resale price of the underlying securities and other collateral held by the Portfolio. In the event of bankruptcy or other default by the seller, there may be possible delays and expenses in liquidating the underlying securities or other collateral, decline in their value or loss of interest. Additionally, reverse repurchase agreements involve borrowing to take advantage of investment opportunities; such leverage could magnify losses. If the Portfolio borrows money to purchase securities and those securities decline in value, then the value of the Portfolio's shares will decline faster than if the Portfolio were not leveraged. The return on such collateral may be more or less than that from the repurchase agreement. A Portfolio's repurchase agreements will be structured so as to fully collateralize the loans. In other words, the value of the underlying securities, which will be held by a Portfolio's custodian bank or by a third party that qualifies as a custodian under Section 17(f) of the 1940 Act, is and, during the entire term of the agreement, will remain at least equal to the value of the loan, including the accrued interest earned thereon. Repurchase agreements are entered into only with those entities approved by IICO.

### ***Restricted Securities***

Subject to its investment policies and restrictions, each Portfolio may invest in restricted securities. Restricted securities are securities that are subject to legal or contractual restrictions on resale. However, restricted securities generally can be sold in privately negotiated transactions, pursuant to an exemption from registration under the Securities Act of 1933 (1933 Act), or in a registered public offering. For example, a Portfolio may purchase commercial paper that is issued in reliance on the so-called private placement exemption from registration that is afforded by Section 4(a)(2) of the 1933 Act (Section 4(a)(2) paper). Section 4(a)(2) paper normally is resold to other institutional investors through or with the assistance of investment dealers who make a market in the Section 4(a)(2) paper, thus providing liquidity. Where registration is required, a Portfolio may be obligated to pay all or part of the registration expense and a considerable period may elapse between the time it decides to seek registration and the time the Portfolio may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Portfolio might obtain a less favorable price than prevailed when it decided to seek registration of the security.

A Portfolio also may invest in securities that normally are purchased or resold pursuant to Rule 144A under the 1933 Act (Rule 144A securities). Rule 144A is designed to facilitate efficient trading among institutional investors by permitting the sale of certain unregistered securities. Rule 144A securities may be resold only to qualified institutional buyers, provided that certain other conditions for resale are met. To the extent privately placed securities held by a Portfolio qualify under Rule 144A and an institutional market develops for those securities, a Portfolio likely will be able to dispose of the securities without registering them under the 1933 Act.

There are risks associated with investments in restricted securities in that there can be no assurance of a ready market for resale. Also, the contractual restrictions on resale might prevent the Portfolio from reselling the securities at a time when such sale would be desirable. Restricted securities that are traded in foreign markets often are subject to restrictions that prohibit resale to U.S. persons or entities or permit sales only to foreign broker-dealers who agree to limit their resale to such persons or entities. The buyer of such securities must enter into an agreement that, usually for a limited period of time, it will resell such securities subject to such restrictions. Restricted securities in which a Portfolio seeks to invest need not be listed or admitted to trading on a foreign or U.S. exchange and may be less liquid than listed securities. Certain restricted securities, including Rule 144A securities, may be determined to be liquid in accordance with guidelines adopted by the Board.

Restricted securities that have not been registered generally are referred to as private placements and are purchased directly from the issuer or in the secondary market and usually are not listed on an exchange nor traded in other established markets. Such securities are restricted as to disposition and generally are sold to institutional investors. Certain of the Portfolio's investments in private placements may consist of direct investments and may include investments in smaller, less-seasoned issuers, which may involve greater risks than investments in the securities of more

established companies. These issuers may have limited product lines, markets or financial resources, or they may be dependent on a limited management group.

As a result of the absence of a public trading market, privately placed securities and other restricted securities may be less liquid and more difficult to value than publicly-traded securities. As relatively few purchasers of these securities may exist, especially in the event of adverse market or economic conditions or adverse changes in the issuer's financial condition, a Portfolio could have difficulty selling them when the Investment Manager believes it is advisable to do so. To the extent that restricted securities may be resold in privately negotiated transactions, the prices realized from the sales, due to illiquidity, could be less than those originally paid by a Portfolio or less than the fair market value.

In addition, issuers whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements that may be applicable if the securities were publicly traded. As a result, a Portfolio may be less able to predict a loss. In making investments in such securities, a Portfolio may obtain access to material non-public information, which may restrict the Portfolio's ability to conduct portfolio transactions in such securities. A Portfolio also may take a minority interest in a privately offered security, which may limit the Portfolio's ability to protect shareholders' interests in connection with corporate actions by the privately held company. A Portfolio's Portfolio Manager may serve on the board of directors (or similar governing body) of a privately held company, the securities of which that Portfolio may hold. While IICO believes such service will be beneficial to the Portfolio and its shareholders, the Portfolio Manager's service as a board member also could create a conflict of interest (or an appearance of a conflict of interest) that may impact the Portfolio. In addition, investments in privately placed securities may include other additional contractual obligations, such as the payment of registration expenses as noted above or the purchase of additional securities.

### ***Short Sales Against the Box***

Subject to its investment policies and restrictions, a Portfolio (except Ivy VIP Government Money Market) may sell securities "short against the box;" provided, however, that the Portfolio's aggregate short sales prices may not, at the time of any short sale, exceed 10% of its total assets. Whereas a short sale is the sale of a security the Portfolio does not own, a short sale is "against the box" if, at all times during which the short position is open, the Portfolio owns at least an equal amount of the securities sold short or other securities convertible into or exchangeable without further consideration for securities of the same issue as the securities sold short. Short sales against the box typically are used by sophisticated investors to defer recognition of capital gains or losses. None of the Portfolios has any present intention to sell securities short in this fashion.

### ***Special Purpose Acquisition Companies***

A Portfolio may invest in stock, warrants, and other securities of special purpose acquisition companies (SPACs) or similar special purpose entities that pool funds to seek potential acquisition opportunities. A SPAC is typically a publicly traded company that raises funds through an initial public offering (IPO) for the purpose of acquiring or merging with another company to be identified subsequent to the SPAC's IPO. The securities of a SPAC are often issued in "units" that include one share of common stock and one right or warrant (or partial right or warrant) conveying the right to purchase additional shares or partial shares. Generally, unless and until a transaction is completed, a SPAC will invest its assets (minus a portion used to cover expenses) in U.S. government securities, money market funds and similar investments. If an acquisition or merger that meets the requirements for the SPAC is not completed within a pre-established period of time (e.g., two years), the invested funds are returned to the SPAC's shareholders, minus certain permitted expenses. In that case, the rights or warrants issued by the SPAC will expire worthless.

Because SPACs and similar entities are in essence blank check companies that have no operating history or ongoing business other than seeking acquisitions, the value of their securities is particularly dependent on the ability of the entity's management to identify and complete a profitable acquisition. As a result, the values of investments in SPACs may be highly volatile and may depreciate significantly over time, and an acquisition or merger, once effected, may prove unsuccessful and an investment in the SPAC may lose value. Moreover, an investment in a SPAC is subject to a variety of additional risks, including the following:

- (i) a portion of the monies raised by the SPAC for the purpose of effecting an acquisition or merger may be expended prior to the transaction for payment of taxes and other expenses;

- (ii) prior to any acquisition or merger, a SPAC's assets are typically invested in U.S. government securities, money market funds and similar investments whose returns or yields may be significantly lower than those of a Portfolio's other investments;
- (iii) a Portfolio generally will not receive significant income from its investments in SPACs (both prior to and after any acquisition or merger) and, therefore, the Portfolio's investments in SPACs will not significantly contribute to the Portfolio's distributions to shareholders;
- (iv) attractive acquisition or merger targets may become scarce if the number of SPACs seeking to acquire operating businesses increases;
- (v) an attractive acquisition or merger target may not be identified at all, in which case the SPAC will be required to return any remaining monies to shareholders;
- (vi) if an acquisition or merger target is identified, a Portfolio may elect not to participate in, or vote to approve, the proposed transaction or the Portfolio may be required to divest its interests in the SPAC, due to regulatory or other considerations, in which case the Portfolio may not reap any resulting benefits;
- (vii) the warrants or other rights with respect to the SPAC held by a Portfolio may expire worthless or may be redeemed by the SPAC at an unfavorable price;
- (viii) any proposed merger or acquisition may be unable to obtain the requisite approval, if any, of SPAC shareholders and/or antitrust and securities regulators;
- (ix) under any circumstances in which a Portfolio receives a refund of all or a portion of its original investment (which typically represents a pro rata share of the proceeds of the SPAC's assets, less any applicable taxes), the returns on that investment may be negligible, and the Portfolio may be subject to opportunity costs to the extent that alternative investments would have produced higher returns;
- (x) to the extent an acquisition or merger is announced or completed, shareholders who redeem their shares prior to that time may not reap any resulting benefits;
- (xi) a Portfolio may be delayed in receiving any redemption or liquidation proceeds from a SPAC to which it is entitled;
- (xii) an investment in a SPAC may be diluted by additional later offerings of interests in the SPAC or by other investors exercising existing rights to purchase shares of the SPAC; and
- (xiii) only a thinly traded market for shares of or interests in a SPAC may develop, or there may be no market at all, leaving a Portfolio unable to sell its interest in a SPAC or to sell its interest only at a price below what the Portfolio believes is the SPAC interest's intrinsic value.

### ***Investment in the Subsidiary***

Ivy VIP Asset Strategy (in this sub-section, the Portfolio) has invested, and expects from time to time to continue to invest, in its wholly-owned and controlled subsidiary organized as an exempted company under the laws of the Cayman Islands (Subsidiary). The Portfolio will not invest in the Subsidiary more than 25% of the value of its total assets as of the end of any quarter of its taxable year. Shares of the Subsidiary will not be sold or offered to other investors. By investing in its Subsidiary, the Portfolio is exposed to the risks associated with its Subsidiary's investments. The Portfolio's Subsidiary invests primarily in commodities, including precious metals, derivatives and commodity-linked instruments, as well as fixed-income securities and other investments intended to serve as margin or collateral for any derivative positions, and cash instruments. Unlike the Portfolio, the Subsidiary may invest without limitation in these instruments and, to the extent the Subsidiary invests in derivative instruments, may use leveraged investments. The Subsidiary otherwise is subject to the same general investment policies and restrictions as the Portfolio.



The Subsidiary is not registered under the 1940 Act, but is subject to certain of the investor protections of the 1940 Act. Ivy VIP Asset Strategy, as the sole shareholder of its Subsidiary, does not have all of the protections offered to investors in registered investment companies. However, since the Portfolio wholly owns and controls its Subsidiary, and both the Portfolio and its Subsidiary are managed by IICO, it is unlikely that the Portfolio's Subsidiary will take action contrary to the interests of the Portfolio or its shareholders. The Board has oversight responsibility for the investment activities of the Portfolio, including its investments in the Portfolio's Subsidiary, and the Portfolio's role as sole shareholder of the Subsidiary. Also, in managing the Subsidiary's portfolio, IICO will be subject to the same aggregate investment restrictions and operational guidelines that apply to the management of the Portfolio, except that, unlike the Portfolio, the Subsidiary is able to invest without limit in precious metals, derivatives and commodity related investments. The Subsidiary will not be able to qualify as a RIC.

Changes in the laws of the United States and/or the Cayman Islands, under which the Trust and the Subsidiary, respectively, are organized, could result in the inability of the Portfolio and/or its Subsidiary to operate as described in this SAI and could negatively affect the Portfolio and its shareholders. For example, the government of the Cayman Islands has undertaken not to impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax on the Subsidiary. If Cayman Islands law changes such that the Portfolio's Subsidiary must pay Cayman Islands taxes, the Portfolio's shareholders would likely suffer decreased investment returns.

### ***U.S. Government Securities***

U.S. government securities are securities issued or guaranteed as to principal or interest by the U.S., or by a person controlled or supervised by and acting as an instrumentality of the U.S. government. These securities include Treasury Bills (which mature within one year of the date they are issued), Treasury Notes (which have maturities of one to ten years) and Treasury Bonds (which generally have maturities of more than ten years). All such Treasury securities are backed by the full faith and credit of the United States.

Certain securities issued or guaranteed by U.S. government agencies or instrumentalities are backed by the full faith and credit of the U.S. government, such as securities issued by the Export-Import Bank of the United States, Farm Credit System Financial Assistance Corporation, Farmers Home Administration, Federal Housing Administration, General Services Administration, Ginnie Mae, Maritime Administration or Small Business Administration.

Other securities issued or guaranteed by U.S. government agencies or instrumentalities are not backed by the full faith and credit of the U.S. government. For example, some securities are supported by the right of the agency or instrumentality to borrow from the Treasury, such as securities issued by the FHLB, Fannie Mae or Freddie Mac, and other securities are supported only by the credit of the agency or instrumentality, such as securities issued by the Federal Farm Credit Banks Funding Corporation or Tennessee Valley Authority.

If the securities issued or guaranteed by a U.S. government agency or instrumentality are not backed by the full faith and credit of the U.S. government, there can be no assurance that the U.S. government would provide financial support to the agency or instrumentality. A Portfolio will invest in securities of agencies and instrumentalities only if the Investment Manager is satisfied that the credit risk involved is acceptable.

U.S. government securities may include mortgage-backed securities issued or guaranteed as to the payment of principal and interest by U.S. government agencies or instrumentalities, including, but not limited to, Ginnie Mae, Fannie Mae and Freddie Mac. These mortgage-backed securities include pass-through securities, participation certificates and collateralized mortgage obligations. See *Mortgage-Backed and Asset-Backed Securities*. Timely payment of principal and interest on Ginnie Mae pass-throughs is guaranteed by the full faith and credit of the United States. Both Fannie Mae and Freddie Mac are instrumentalities of the U.S. government, but their obligations are not backed by the full faith and credit of the United States. It is possible that the availability and the marketability (that is, liquidity) of the securities discussed in this section could be adversely affected by actions of the U.S. government to tighten the availability of its credit.

### ***Variable or Floating Rate Instruments***

Variable or floating rate instruments (including notes purchased directly from issuers) bear variable or floating interest rates and may carry rights that permit holders to demand payment of the unpaid principal balance plus accrued interest

from the issuers or certain financial intermediaries on dates prior to their stated maturities. Floating rate securities have interest rates that change whenever there is a change in a designated base rate while variable rate instruments provide for a specified periodic adjustment in the interest rate. These formulas are designed to result in a market value for the instrument that approximates its par value.

### ***Warrants and Rights***

Subject to its investment policies and restrictions, each Portfolio (other than Ivy VIP Government Money Market) may invest in warrants and rights. Warrants are options to purchase equity securities at specified prices for a specific period of time. Their prices do not necessarily move parallel to the prices of the underlying securities. Rights are similar to warrants but normally have a short duration and are distributed directly by the issuer to its shareholders. Rights and warrants have no voting rights, receive no dividends, and have no rights with respect to the assets of the issuer. Warrants and rights are highly volatile and, therefore, more susceptible to sharp declines in value than the underlying security might be. They also generally are less liquid than an investment in the underlying securities.

### ***When-Issued and Delayed-Delivery Transactions***

Subject to its investment policies and restrictions, a Portfolio may purchase securities in which it may invest on a when-issued or delayed-delivery basis or sell them on a delayed-delivery basis. In either case payment and delivery for the securities take place at a future date. The securities so purchased or sold are subject to market fluctuation; their value may be less or more when delivered than the purchase price paid or received. When purchasing securities on a when issued or delayed-delivery basis, a Portfolio assumes the rights and risks of ownership, including the risk of price and yield fluctuations. No interest accrues to the Portfolio until delivery and payment is completed. When a Portfolio makes a commitment to purchase securities on a when-issued or delayed-delivery basis, it will record the transaction and thereafter reflect the value of the securities in determining its NAV per share. When a Portfolio sells securities on a delayed-delivery basis, the Portfolio does not participate in further gains or losses with respect to the securities. When a Portfolio makes a commitment to sell securities on a delayed-delivery basis, it will record the transaction and thereafter value the securities at the sale price in determining its NAV per share. If the other party to a delayed-delivery transaction fails to deliver or pay for the securities, the Portfolio could miss a favorable price or yield opportunity, or could suffer a loss.

The use of when-issued transactions and forward commitments enables a Portfolio to seek to hedge against anticipated changes in interest rates and prices. For instance, in periods of rising interest rates and falling prices, a Portfolio might sell securities in its portfolio on a forward commitment basis to limit its exposure to falling prices. In periods of falling interest rates and rising prices, a Portfolio might sell a security in its portfolio and purchase the same or a similar security on a when-issued or forward commitment basis, thereby fixing the purchase price to be paid on the settlement date at an amount below that to which the Portfolio anticipates the market price of such security to rise and, in the meantime, obtaining the benefit of investing the proceeds of the sale of its portfolio security at currently higher cash yields. Of course, the success of this strategy depends upon the ability of the Investment Manager to correctly anticipate increases and decreases in interest rates and prices of securities. If the Investment Manager anticipates a rise in interest rates and a decline in prices and, accordingly, a Portfolio sells securities on a forward commitment basis in an attempt to hedge against falling prices, but in fact interest rates decline and prices rise, the Portfolio will have lost the opportunity to profit from the price increase. If the Investment Manager anticipates a decline in interest rates and a rise in prices, and, accordingly, a Portfolio sells a security in its portfolio and purchases the same or a similar security on a when-issued or forward commitment basis in an attempt to enjoy currently high cash yields, but in fact interest rates increase and prices fall, the Portfolio will have lost the opportunity to profit from investment of the proceeds of the sale of the security at the increased interest rates. The likely effect of this hedging strategy, whether the Investment Manager is correct or incorrect in its prediction of interest rate and price movements, is to reduce the chances of large capital gains or losses and thereby reduce the likelihood of wide variations in a Portfolio's NAV.

When-issued securities and forward commitments may be sold prior to the settlement date, but a Portfolio enters into when-issued and forward commitments only with the intention of actually receiving or delivering the securities, as the case may be. Each Portfolio may hold a when-issued security or forward commitment until the settlement date, even if the Portfolio will incur a loss upon settlement. In accordance with regulatory requirements, a Portfolio's custodian bank maintains, in a separate account of the Portfolio, liquid assets, such as cash, short-term securities and other liquid

securities (marked to the market daily), having a value equal to, or greater than, any commitments to purchase securities on a when-issued or forward commitment basis and, with respect to forward commitments to sell portfolio securities of the Portfolio, the portfolio securities themselves. If a Portfolio, however, chooses to dispose of the right to acquire a when-issued security prior to its acquisition or dispose of its right to deliver or receive against a forward commitment, it can incur a gain or loss.

The purchase of securities on a when-issued or forward commitment basis exposes the Portfolio to risk because the securities may decrease in value prior to their delivery. Purchasing securities on a when-issued or forward commitment basis involves the additional risk that the return available in the market when the delivery takes place will be higher than that obtained in the transaction itself. A Portfolio's purchase of securities on a when-issued or forward commitment basis while remaining substantially fully invested could result in increased volatility of the price of the Portfolio's shares.

### ***Zero Coupon Securities***

Zero coupon securities are debt obligations that do not entitle the holder to any periodic payment of interest prior to maturity or do not specify a future date when the securities begin to pay current interest; instead, they are sold at a deep discount from their face value (that is, with original issue discount (OID)) and are redeemed at face value when they mature. Because zero coupon securities do not pay current income, their prices can be very volatile when interest rates change and generally are subject to greater price fluctuations in response to changing interest rates than prices of comparable debt obligations that make current distributions of interest in cash.

Subject to its investment policies and restrictions, a Portfolio may invest in zero coupon securities that are stripped Treasury notes or bonds, zero coupon bonds of corporate or municipal issuers and other securities that are issued with OID. The federal tax law requires that a holder of a security with OID accrue as income (take into account, in the case of OID on a tax-exempt security (i.e., a security the interest on which is not subject to federal income tax)) each taxable year a ratable portion of the OID on the security, even though the holder may receive no interest payment on the security during the year. Accordingly, although a Portfolio generally will receive no payments on its zero coupon securities prior to their maturity or disposition, it will have current taxable or tax-exempt income attributable to those securities. To avoid liability for federal income and excise taxes, therefore, a Portfolio will be required to distribute cash in an amount equal to income accrued with respect to those securities and may have to dispose of portfolio securities under disadvantageous circumstances in order to generate cash to make that distribution.

A broker-dealer creates a derivative zero coupon security by separating the interest and principal components of a Treasury security and selling them as two individual securities. CATS (Certificates of Accrual on Treasury Securities), TIGRs (Treasury Investment Growth Receipts), and TRs (Treasury Receipts) are examples of derivative zeros.

The Federal Reserve Bank creates Separate Trading of Registered Interest and Principal of Securities (STRIPS) by separating the interest and principal components of an outstanding Treasury security and selling them as individual securities. Bonds issued by the Resolution Funding Corporation and the Financing Corporation also can be separated in this fashion. Original issue zeros are zero coupon securities originally issued by the U.S. government, a government agency, or a corporation in zero coupon form.

### ***Defensive Purposes***

For temporary defensive purposes, each Portfolio may invest up to all of its assets in cash or cash equivalents, as well as Treasury obligations, such as bills, bonds and notes. The "cash equivalents" in which each Portfolio may invest include, but are not limited to: short-term obligations such as rated commercial paper and variable amount master demand notes; U.S. dollar-denominated time and savings deposits (including certificates of deposit); bankers' acceptances; obligations of the U.S. government or its agencies or instrumentalities; repurchase agreements (which investments also are subject to their own fees and expenses); and other similar short-term U.S. dollar-denominated obligations which the Investment Manager believes are of comparable high quality. Subject to its investment policies and restrictions, a Portfolio may utilize derivative instruments, including, but not limited to, futures contracts, options and other types of derivative instruments, for defensive purposes.

## Investment Restrictions

Certain of the Portfolios' investment restrictions are described in this SAI. Each of the Portfolios (other than Ivy VIP Energy, Ivy VIP Growth, Ivy VIP Natural Resources and Ivy VIP Science and Technology) is “diversified” as defined in the 1940 Act, and therefore, is required to meet certain diversification requirements under the 1940 Act that may limit its investments. Such requirements are set forth under *Non-Fundamental Investment Restrictions — Diversification* below. A Portfolio may not change from “diversified” to “non-diversified” without shareholder approval (as defined below).

Each of Ivy VIP Energy, Ivy VIP Growth, Ivy VIP Natural Resources and Ivy VIP Science and Technology is “non-diversified” as defined in the 1940 Act. This means that each of those Portfolios may invest a greater portion of its assets in obligations of a single issuer or in several issuers.

### ***Fundamental Investment Restrictions***

The following, set forth in their entirety, are the Portfolios' fundamental investment restrictions, which cannot be changed without shareholder approval for the affected Portfolio. For this purpose, shareholder approval for a Portfolio means the approval, at a meeting of Portfolio shareholders, by the lesser of (1) 67% or more of the Portfolio's voting securities present at the meeting, if more than 50% of the Portfolio's outstanding voting securities are present in person or by proxy or (2) more than 50% of the Portfolio's outstanding voting securities. If a percentage restriction is adhered to at the time of an investment or transaction, later changes in the percentage resulting from a change in value of portfolio securities or amount of total assets will not be considered a violation of the restriction. As to each Portfolio (unless otherwise specified):

1. The Portfolio may not borrow money, except to the extent permitted by the 1940 Act, the rules and regulations thereunder and any applicable exemptive relief.
2. The Portfolio may not issue senior securities, except to the extent permitted by the 1940 Act, the rules and regulations thereunder and any applicable exemptive relief.
3. The Portfolio may not engage in the business of underwriting securities except to the extent that the Portfolio may be considered an underwriter within the meaning of the 1933 Act in the acquisition, disposition or resale of its portfolio securities or in connection with investments in other investment companies, or to the extent otherwise permitted under the 1940 Act, the rules and regulations thereunder and any applicable exemptive relief.
4. For each Portfolio except Ivy VIP Energy, Ivy VIP Government Money Market, Ivy VIP Natural Resources, Ivy VIP Science and Technology and Ivy VIP Securian Real Estate Securities:

The Portfolio may not purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities, securities of other investment companies and tax-exempt securities or such other securities as may be excluded for this purpose under the 1940 Act, the rules and regulations thereunder and any applicable exemptive relief) if, as a result, such purchase would result in the concentration (as that term may be defined in the 1940 Act, the rules and regulations thereunder and any applicable exemptive relief) of its total assets in securities of issuers in any one industry.

For Ivy VIP Energy: Under normal market conditions, Ivy VIP Energy will concentrate its investments in the energy industry.

For Ivy VIP Government Money Market: Under normal market conditions, Ivy VIP Government Money Market will not make any investment if, as a result, the Portfolio's investments will be concentrated in any one industry, except that the Portfolio may invest without limit in obligations issued by banks.

For Ivy VIP Natural Resources: Under normal market conditions, Ivy VIP Natural Resources will concentrate its investments in securities of issuers that produce, refine, develop, store, transport or supply energy or industrial products (*i.e.*, building materials, packaging, chemicals, base metals, forest and agricultural products or provide basic services to the natural resources industry).

For Ivy VIP Science and Technology: Under normal market conditions, Ivy VIP Science and Technology will concentrate its investments in securities of science and technology companies or companies that benefit from the application of science and/or technology.

For Ivy VIP Securian Real Estate Securities: Under normal market conditions, Ivy VIP Securian Real Estate Securities will concentrate its investments in the real estate or real estate-related industry.

5. The Portfolio may not purchase or sell real estate, except to the extent permitted under the 1940 Act, the rules and regulations thereunder and any applicable exemptive relief.
6. The Portfolio may not purchase or sell commodities, contracts relating to commodities or options on contracts relating to commodities except to the extent permitted under the 1940 Act, the rules and regulations thereunder and any applicable exemptive relief. This policy shall not prevent the Portfolio from purchasing or selling foreign currency or purchasing, selling or entering into futures contracts, options, forward contracts, swaps, caps, floors, collars and other financial instruments as currently exist or may in the future be developed.
7. The Portfolio may make loans to the extent permitted under the 1940 Act, the rules and regulations thereunder and any applicable exemptive relief.

### ***Non-Fundamental Investment Restrictions***

The following investment restrictions are non-fundamental (sometimes referred to as “operating policies”) and may be changed by the Board without shareholder approval:

#### **1. “Name Rule” investments:**

Under normal circumstances, at least 80% of:

- Each of Ivy VIP Core Equity’s and Ivy VIP International Core Equity’s net assets, plus any borrowings for investment purposes (referred to in this section as Net Assets), will be invested in equity securities.
- Ivy VIP Corporate Bond’s Net Assets will be invested in corporate bonds.
- Ivy VIP Global Bond’s Net Assets will be invested in bonds.
- Ivy VIP Global Equity Income’s Net Assets will be invested in equity securities.
- Ivy VIP Government Money Market’s Net Assets will be invested in U.S. government securities and/or repurchase agreements that are fully collateralized by U.S. government securities.
- Ivy VIP Limited-Term Bond’s Net Assets will be invested in bonds with limited maturities.
- Ivy VIP Mid Cap Growth’s Net Assets will be invested in mid-capitalization growth stocks.
- Ivy VIP Natural Resources’ Net Assets will be invested in equity securities of companies that own, explore or develop natural resources and other basic commodities or supply goods and services to such companies.
- Ivy VIP Science and Technology’s Net Assets will be invested in securities of science or technology companies or companies that derive a competitive advantage by the application of scientific or technological developments or discoveries to grow their business or increase their competitive advantage.
- Ivy VIP Securian Real Estate Securities’ Net Assets will be invested in the securities of companies in the real estate or real estate-related industry.
- Each of Ivy VIP Small Cap Core’s and Ivy VIP Small Cap Growth’s Net Assets will be invested in small capitalization companies.
- Ivy VIP Energy’s Net Assets will be invested in securities of companies within the energy sector, which includes all aspects of the energy industry, including exploration, discovery, production, distribution or infrastructure of energy and/or alternative energy sources.



The Portfolio will notify its shareholders with written notice at least 60 days prior to a change in its 80% investment policy.

## **2. Investment in other investment companies:**

Each Portfolio (other than Ivy VIP Government Money Market) may buy shares of other investment companies only to the extent permitted under the 1940 Act, the rules and regulations thereunder and any applicable exemptive relief, except that a Portfolio in which a Pathfinder Portfolio or a Managed Volatility Portfolio invests may not acquire any securities of registered open-end investment companies or unit investment trusts in reliance on Section 12(d)(1)(F) or (G) of the 1940 Act.

## **3. Investment in illiquid securities:**

Each Portfolio (other than Ivy VIP Government Money Market) may not purchase a security if, as a result, more than 15% of its net assets would consist of illiquid investments.

Ivy VIP Government Money Market may not acquire: (i) an illiquid security if, immediately after such acquisition, it would have invested more than 5% of its total assets in illiquid securities; (ii) any security other than a Daily Liquid Asset (as defined in Rule 2a-7) if, immediately after such acquisition, it would have invested less than 10% of its total assets in Daily Liquid Assets; or (iii) any security other than a Weekly Liquid Asset (as defined in Rule 2a-7) if, immediately after such acquisition, it would have invested less than 30% of its total assets in Weekly Liquid Assets.

## **4. Investment in debt securities:**

Each of Ivy VIP Core Equity, Ivy VIP Energy, Ivy VIP Global Equity Income, Ivy VIP Global Growth, Ivy VIP Growth, Ivy VIP International Core Equity, Ivy VIP Mid Cap Growth, Ivy VIP Natural Resources, Ivy VIP Securian Real Estate Securities, Ivy VIP Small Cap Core, Ivy VIP Small Cap Growth and Ivy VIP Value does not currently intend to invest more than 10% of its total assets in non-investment grade debt securities.

Ivy VIP Asset Strategy may not invest more than 35% of its total assets in non-investment grade debt securities.

Each of Ivy VIP Balanced, Ivy VIP Corporate Bond, Ivy VIP Limited-Term Bond and Ivy VIP Science and Technology may not invest more than 20% of its total assets in non-investment grade debt securities.

## **5. Investment in foreign securities:**

Ivy VIP Corporate Bond may not invest more than 20% of its total assets in foreign securities.

Ivy VIP Limited-Term Bond may only invest in U.S. dollar-denominated securities issued by U.S. and foreign issuers.

Each of Ivy VIP Balanced, Ivy VIP Core Equity, Ivy VIP Growth, Ivy VIP Mid Cap Growth, Ivy VIP Securian Real Estate Securities, Ivy VIP Small Cap Core, Ivy VIP Small Cap Growth and Ivy VIP Value may not invest more than 25% of its total assets in foreign securities.

## **6. Investment in Financial Instruments:**

Each Portfolio (other than Ivy VIP Government Money Market) may invest in Financial Instruments if it is permitted to invest in the type of asset by which the return on, or value of, the Financial Instrument primarily is measured.

## **7. Diversification:**

Except to the extent permitted by the 1940 Act, the rules and regulations thereunder and any applicable exemptive relief, each Portfolio (other than Ivy VIP Energy, Ivy VIP Growth, Ivy VIP Natural Resources and Ivy VIP Science and Technology) may not with respect to 75% of the Portfolio's total assets, purchase the securities of any issuer (other than securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities, and securities of other

investment companies) if, as a result, (a) more than 5% of the Portfolio's total assets would be invested in the securities of that issuer, or (b) the Portfolio would hold more than 10% of the outstanding voting securities of that issuer.

Ivy VIP Government Money Market may not purchase the securities of any one issuer (other than U.S. government securities) if, as a result of such purchase, more than 5% of its total assets would be invested in the securities of any one issuer, as determined in accordance with Rule 2a-7; provided, however, the Portfolio may invest up to 25% of its total assets in securities of a single issuer for a period of up to 3 business days after the purchase.

## 8. Other Current Restrictions:

Ivy VIP Government Money Market may not invest more than 25% of its total assets in a combination of foreign obligations and instruments.

Ivy VIP Government Money Market will not invest in any security whose interest rate or principal amount to be repaid, or timing of payments, varies or floats with the value of a foreign currency, the rate of interest payable on foreign currency borrowings, or with any interest rate or index expressed in a currency other than U.S. dollars.

Notwithstanding the foregoing investment limitations, each of the Pathfinder Portfolios and Managed Volatility Portfolios may invest in Underlying Funds that have adopted investment limitations that may be more or less restrictive than those listed above for the Pathfinder Portfolios and Managed Volatility Portfolios. Therefore, the Pathfinder Portfolios and Managed Volatility Portfolios may engage indirectly in investment strategies that are prohibited under the investment limitations listed above.

In accordance with each Pathfinder Portfolio's and Managed Volatility Portfolio's investment program as set forth in the Prospectus, a Pathfinder Portfolio and a Managed Volatility Portfolio may invest more than 25% of its net assets in any one Underlying Fund. However, each Underlying Fund in which a Pathfinder Portfolio or a Managed Volatility Portfolio may invest will not invest more than 25% of its total assets in any one industry.

**All Portfolios.** An investment policy or restriction that states a maximum percentage of a Portfolio's assets that may be so invested or prescribes quality standards typically is applied immediately after, and based on, the Portfolio's acquisition of an asset. Accordingly, a subsequent change in the asset's value, net assets, or other circumstances will not be considered when determining whether the investment complies with a Portfolio's investment policies and restrictions.

## Portfolio Turnover

A portfolio turnover rate is, in general, the percentage computed by taking the lesser of purchases or sales of portfolio securities for a year and dividing it by the monthly average of the market value of such securities during the year, excluding certain short-term securities. A portfolio turnover rate of 100% would mean that a Portfolio had sold and purchased securities valued at 100% of its net assets within a one-year period. The turnover rate for a Portfolio may vary greatly from year to year as well as within a particular year and may be affected by cash requirements for the redemption of its shares.

The portfolio turnover rates for the fiscal years ended December 31, 2020 and December 31, 2019 for each of the Portfolios were:

|                                    | <u>2020</u> | <u>2019</u> |
|------------------------------------|-------------|-------------|
| Ivy VIP Asset Strategy .....       | 44%         | 46%         |
| Ivy VIP Balanced .....             | 61%         | 44%         |
| Ivy VIP Core Equity .....          | 58%         | 80%         |
| Ivy VIP Corporate Bond .....       | 95%         | 66%         |
| Ivy VIP Energy .....               | 54%         | 21%         |
| Ivy VIP Global Bond .....          | 56%         | 43%         |
| Ivy VIP Global Equity Income ..... | 73%         | 39%         |
| Ivy VIP Global Growth .....        | 33%         | 26%         |

|   | <b>2020</b> | <b>2019</b> |
|---|-------------|-------------|
| Ivy VIP Government Money Market .....                                 | N/A         | N/A         |
| Ivy VIP Growth .....  | 29%         | 30%         |
| Ivy VIP High Income .....   | 52%         | 35%         |
| Ivy VIP International Core Equity .....                               | 82%         | 69%         |
| Ivy VIP Limited-Term Bond .....                                       | 74%         | 54%         |
| Ivy VIP Mid Cap Growth .....  | 25%         | 20%         |
| Ivy VIP Natural Resources .....                                       | 71%         | 36%         |
| Ivy VIP Science and Technology .....                                  | 8%          | 31%         |
| Ivy VIP Securitan Real Estate Securities .....                        | 72%         | 54%         |
| Ivy VIP Small Cap Core .....  | 145%        | 126%        |
| Ivy VIP Small Cap Growth .....  | 50%         | 41%         |
| Ivy VIP Value .....   | 63%         | 62%         |
| Ivy VIP Pathfinder Aggressive .....                                   | 21%         | 18%         |
| Ivy VIP Pathfinder Conservative .....                                 | 41%         | 31%         |
| Ivy VIP Pathfinder Moderate .....                                     | 21%         | 17%         |
| Ivy VIP Pathfinder Moderate - Managed Volatility .....                | 42%         | 9%          |
| Ivy VIP Pathfinder Moderately Aggressive .....                        | 20%         | 19%         |
| Ivy VIP Pathfinder Moderately Aggressive - Managed Volatility .....   | 41%         | 16%         |
| Ivy VIP Pathfinder Moderately Conservative .....                      | 25%         | 18%         |
| Ivy VIP Pathfinder Moderately Conservative - Managed Volatility ..... | 45%         | 14%         |

In general, a high turnover rate will increase transaction costs (such as commissions and spreads between bid and asked prices) that will be paid by the Portfolio. Because short-term securities generally are excluded from the computation of the portfolio turnover rate, a rate is not computed for Ivy VIP Government Money Market.

## **Policy on Disclosure of Portfolio Holdings (Disclosure Policy)**

The Disclosure Policy is intended to prevent unauthorized disclosure of portfolio holdings information. Divulging non-public portfolio holdings to selected third parties is permissible only when the Portfolio has a legitimate business purpose for doing so and the recipient is subject to a duty of confidentiality, including a duty not to trade based on the non-public information. The Disclosure Policy applies when disclosing portfolio holdings to any party, other than to service providers or other third parties that perform account maintenance, trade execution services and/or record keeping services, where such disclosure of portfolio holdings would provide information that is not already publicly disclosed.

### ***Publicly Available Information***

The Portfolio's holdings are publicly available: (1) at the time such information is filed with the SEC in a publicly-available filing; or (2) the next day following the day such information is posted on the internet at [www.ivyinvestments.com](http://www.ivyinvestments.com). This information may be the Portfolio's complete portfolio holdings which are disclosed in the Portfolio's Annual or Semiannual Reports and filed with the SEC on Form N-CSR or in the Portfolio's first and third quarter reports and filed with the SEC as an exhibit to Form N-PORT. This information also may be a partial listing, such as the Portfolio's top ten portfolio holdings posted monthly on the internet at [www.ivyinvestments.com](http://www.ivyinvestments.com).

Portfolio holdings and other information filed with the SEC may be viewed on the SEC's website at <http://www.sec.gov>.

### ***Exceptions***

Attribution reports containing only sector and/or industry breakdowns for a Portfolio can be released without a confidentiality agreement and without regard to any time constraints.

Holdings of a Pathfinder Portfolio or a Managed Volatility Portfolio may be provided to insurance companies for which the Portfolio serves as an underlying funding vehicle for the sole purpose of assisting the insurance company's hedging program.

Holdings may be discussed/disclosed generally by the Portfolio Manager of a Portfolio for valid business purposes with third-party broker-dealers that offer and sell shares of the Portfolio during monthly calls and other presentations as necessary to educate such third-party broker-dealers about the general management of the portfolio and to illustrate an investment strategy.

The Disclosure Policy does not apply to communications with broker-dealers regarding specific securities that are in the process of being traded or communications to broker-dealers regarding potential trades of securities.

***Existing Clients/Shareholders/Requests for Proposal (RFP) and Brokers (each, a Third-Party Recipient)***

■ A Portfolio's holdings (either month-end or quarter-end) may be released upon the specific request of a Third-Party Recipient, on the 15th day after month-end or quarter-end, provided that:

- 1. The individual receiving the request, in conjunction with IICO's legal department or the Portfolios' Chief Compliance Officer (CCO), determines that the Portfolio has a legitimate business purpose for disclosing non-public portfolio holdings information to the Third-Party Recipient;
2. The Third-Party Recipient signs a confidentiality agreement or is given appropriate notice that the non-public portfolio holdings: (a) should be kept confidential, (b) may not be used to trade in any such portfolio holdings nor to purchase or redeem shares of the Portfolio and (c) may not be disseminated or used for any purpose other than as referenced in the confidentiality agreement; and
3. No compensation is received by the Portfolios, IICO or any other party in connection with the disclosure of information about the portfolio holdings.

A Portfolio may release its portfolio holdings to the sponsor of a model portfolio product on a more frequent basis than described above only when the Portfolio has first entered into an agreement with the recipient that requires the recipient to agree in substance to the terms and conditions set forth below:

The recipient shall:

- agree to use portfolio information only for its own internal analytical purposes in connection with the compilation of Portfolio data, the development of investment models or risk analysis, and the determination of the eligibility of the Portfolio for the recipient's "model portfolios;"
- agree that it will not disclose, distribute or publish the portfolio information that it receives from the Portfolio, including to any of its clients;
- represent that it will not disclose the portfolio information to any person or entity within its organization other than personnel who are authorized to receive such information in connection with the compilation of Portfolio data and the development of "model portfolios;"
- agree that it, its officers, employees, agents and representatives have a duty to treat the portfolio information as confidential and not to trade securities based on such information;
- agree that it may not, and must take steps to ensure that all of its employees with access to such information do not, invest directly in the Portfolio for which such confidential information is supplied;
- agree that it may not distribute portfolio information to any agent or subcontractor unless such agent or subcontractor has entered into a substantially similar agreement of confidentiality and has adopted and agrees to maintain policies and procedures designed to ensure that the information is kept confidential; and
- agree to maintain policies and procedures designed to ensure that the portfolio information provided by the Portfolio is kept confidential and that its officers, agents and representatives do not trade securities based on such information.

### ***Lipper, Morningstar and Other Service Organizations***

Each Portfolio may provide its holdings to Thomson Reuters Lipper, Morningstar, Inc. and similar service-related firms without limitation, on the condition that appropriate notice is provided that such non-public information: (1) may not be disclosed to, or discussed with, any other clients of the rating organization absent a valid exception; (2) will not be used as the basis to trade in any such portfolio holdings of the Portfolio; and (3) will not be used as the basis to engage in market timing activity in any Portfolio.

In determining whether there is a legitimate business purpose for making disclosure of a Portfolio's non-public portfolio holdings information, IICO's legal department or the Portfolios' CCO typically will consider whether the disclosure is in the best interests of Portfolio shareholders and whether any conflict of interest exists between the shareholders and the Portfolio or IDI or its affiliates.

As part of the annual review of the Trust's compliance policies and procedures, the Portfolios' CCO will report to the Board regarding the operation and effectiveness of the Disclosure Policy, including on any changes to the Disclosure Policy that have been made or recommendations for future changes to the Disclosure Policy.

The following is a list of those entities with which there is currently an ongoing arrangement to make available non-public information about the Portfolios' portfolio securities holdings.

#### **Custodian, Auditors, Legal Counsel and Other Service Providers**

The Bank of New York Mellon  
Deloitte & Touche LLP  
Stradley Ronon Stevens & Young, LLP  
Ivy Investment Management Company  
WI Services Company  
Ivy Distributors, Inc.  
ICE Data Services  
FactSet Research Systems, Inc.  
MSCIInvestortools, Inc.  
BarraOne  
Pershing  
Sylvan  
Wolters Kluwer  
IHS Markit, Ltd.  
Rust Consulting, Inc.  
Wilshire  
Securian

Pursuant to a custodian contract, the Trust has selected The Bank of New York Mellon (BNYM) as custodian for each Portfolio's securities and cash. As custodian, BNYM maintains all records relating to each Portfolio's activities and supplies each Portfolio with a daily tabulation of the securities it owns and that are held by the custodian and serves a similar function for foreign securities.

Holdings of a Pathfinder Portfolio or a Managed Volatility Portfolio may be provided to the following Participating Insurance Companies for the sole purpose of assisting the Participating Insurance Companies' hedging program.

Minnesota Life Insurance Company  
Nationwide Life Insurance Company

#### **Rating, Ranking and Research Entities**

Bloomberg L.P.  
Ibbotson Associates, Inc.  
Informa Investment Solutions, Inc.  
Risk Metrics Group, LLC



Thomson Reuters Lipper  
Moody's Corporation  
Morningstar, Inc.  
S&P Global Ratings, Inc.  
Thomson Reuters Corporation

Each Portfolio may send its complete portfolio holdings information to one or more of the rating, ranking and /or research entities listed above for the purpose of having such entity develop a rating, ranking or specific research product for the Portfolio.

**Brokerage and Brokerage-Related Information Entities**

B. Riley & Co., LLC (Friedman Billings Ramsey)

**Barclays**

Barrington Research Associates

Bank of America Merrill Lynch

Berenberg Capital Markets

Bernstein

BMO Capital Markets

Canaccord Genuity

CIMB Securities, Inc.

Cirrus Research, LLC

Citigroup Global Markets, Inc.

Cornerstone Macro LLC

Cowen & Company, LLC

D.A. Davidson & Co.

Deutsche Bank Securities, Inc.

Empirical Research

Fundstrat Global Advisors

Haitong International Securities (USA), Inc.

HSBC Bank plc

Jefferies & Company, Inc.

J.P. Morgan Securities, Inc.

Key Banc Capital Markets

Macquarie Group Limited

Morgan Stanley Smith Barney LLC

MUFG Securities Americas, Inc.

Needham & Company, LLC

Oppenheimer & Co. Inc.

Piper **Sandler**

Raymond James Financial Services, Inc.

Redburn Partners (USA) LP

Robert Baird & Co., Inc.

Sidoti & Company, LLC

Signum Global Advisors

SMBC Nikko Securities America, Inc.

Stephens, Inc.

Stifel, Nicolaus & Company, Incorporated

Telsey Advisory Group LLC

Third Bridge

**Truist** Securities

Wells Fargo Securities LLC

William Blair & Co.

William O'Neil + Company

Wolfe Research Securities

Each Portfolio may send its complete portfolio holdings information to one or more of the brokerage and/or research firms listed above for the purpose of having such entity provide specific research and security-related information to the Portfolio, and/or to one or more of the consultants and/or broker platforms listed above for the purpose of reviewing and recommending the Portfolio as possible investments for their clientele. No compensation is received from these entities by the Portfolio, IICO or its affiliates, and portfolio holdings information will only be provided for legitimate business purposes.

Each Portfolio may, in the future, modify or terminate any or all of these arrangements and/or enter into additional arrangements of this nature.

## MANAGEMENT OF THE TRUST

### Trustees and Officers

The Trust is governed by its Board, which currently is composed of nine individuals. The Board is responsible for the overall management of the Trust and the Portfolios, which includes general oversight and review of the Portfolios' investment activities, in accordance with federal law and the law of the State of Delaware, as well as the stated policies of the Portfolios. The Board has appointed officers of the Trust and delegated to them the management of the day-to-day operations of the Portfolios, based on policies reviewed and approved by the Board, with general oversight by the Board.

#### *Board Structure and Related Matters*

Eight members of the Board are not “interested persons” of the Portfolios as defined in Section 2(a)(19) of the 1940 Act (each referred to as an “Independent Trustee”). Philip J. Sanders is the sole interested Board member of the Trust (an “Interested Trustee”, and collectively with the Independent Trustees, the “Trustees”). An interested person of the Trust includes any person who is otherwise affiliated with the Trust or a service provider to the Trust, such as IICO, the Portfolios' investment adviser, a Portfolio's investment subadviser, or IDI, the Portfolios' underwriter. The Board believes that having a majority of Independent Trustees on the Board is appropriate and in the best interests of the Portfolios' shareholders.

Under the Trust's Amended and Restated Declaration of Trust and its Amended and Restated Bylaws, a Trustee may serve as a Trustee until he or she dies, resigns or is removed from office. The Trust is not required to hold annual meetings of shareholders for the election or re-election of Trustees or for any other purpose, and does not intend to do so. Delaware law permits shareholders to remove Trustees under certain circumstances and requires the Trust to assist in shareholder communications.

The Board has elected Joseph Harroz, Jr., an Independent Trustee, to serve as Independent Chair of the Board. In that regard, Mr. Harroz's responsibilities include: setting an agenda for each meeting of the Board; presiding at all meetings of the Board and of the Independent Trustees; and serving as a liaison with other Trustees, the Trust's officers and other management personnel, and counsel. The Independent Chair also performs such other duties as the Board may from time to time determine.

The Board normally holds four regularly scheduled in-person meetings each year. The Board may hold special meetings, as needed, either in person or by telephone, to address matters arising between regular meetings. The Independent Trustees also normally hold four regularly scheduled in-person meetings each year, during a portion of which management is not present, as well as a special telephonic meeting in connection with the Board's annual consideration of the Trust's management agreements, and may hold special meetings, as needed, either in person or by telephone.

The Board has established a committee structure (described below) that includes four standing committees: the Audit Committee, the Governance Committee, the Investment Oversight Committee and the Executive Committee, the first three of which are comprised solely of Independent Trustees. The Board periodically evaluates its structure and composition as well as various aspects of its operations. The Board believes that its leadership structure, including its Independent Chair position and its committees, is appropriate for the Trust in light of, among other factors, the asset size and nature of the Portfolios, the number of Portfolios overseen by the Board, the arrangements for the conduct of the Portfolios' operations, the number of Trustees, and the Board's responsibilities.

The Trust is part of the Fund Complex, which is comprised of the 28 portfolios within the Trust, 45 portfolios within the Ivy Funds, the Ivy High Income Opportunities Fund (a closed-end fund) (IVH) and 10 portfolios within the InvestEd Portfolios. Each member of the Board also is a member of the Board of Trustees of each of the other trusts within the Fund Complex.

The Trustees of the Trust are identified in the tables below, which provide information as to their principal business occupations held during at least the last five years and certain other information. Subject to the Trustee Emeritus and Retirement Policy described below, a Trustee serves until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

## Independent Trustees

The following table provides information regarding each Independent Trustee.

| NAME,<br>ADDRESS AND<br>YEAR OF BIRTH                                      | POSITION<br>HELD WITH<br>THE TRUST | TRUSTEE<br>SINCE | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS  | NUMBER<br>OF FUNDS IN<br>FUND<br>COMPLEX<br>OVERSEEN | OTHER<br>DIRECTORSHIPS<br>HELD DURING<br>PAST 5 YEARS   |
|--|------------------------------------|------------------|---|--|---|
| James M. Concannon<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1947 | Trustee                            | 1997*            | Emeritus Dean and Professor of<br>Law, Washburn University School<br>of Law (1973 to present) | 84   | Director, Kansas Legal Services for<br>Prisoners, Inc. (non-profit community<br>service); Director, U.S. Alliance<br>Corporation and wholly-owned<br>subsidiaries: U.S. Alliance Life and<br>Security Company, Dakota Capital Life<br>Insurance Company (insurance), and<br>U. S. Alliance Corporation, Montana,<br>(2009 to present); Director, Kansas<br>Appleseed, Inc. (non-profit<br>community service) (2007 to present);<br>Trustee, Waddell & Reed<br>Advisors Funds (WRA Funds)<br>(1997-2018); Trustee, Ivy NextShares<br>(2017-2019); Trustee, Ivy Funds<br>(2017 to present) (45 portfolios<br>overseen); Trustee, InvestEd<br>Portfolios (2001 to present) (10<br>portfolios overseen); Trustee, Ivy High<br>Income Opportunities Fund (2017 to<br>present) (1 portfolio overseen)   |
| H. Jeffrey Dobbs<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1955   | Trustee                            | 2019             | Global Sector Chairman,<br>Industrial Manufacturing, KPMG<br>LLP (2010-2015)                  | 84   | Director, Valparaiso University (2012<br>to present) Director, TechAccel LLC<br>(2015 to present) (Tech R&D); Board<br>Member, Kansas City Repertory<br>Theatre (2015 to present); Board<br>Member, PatientsVoices, Inc.<br>(healthcare) (2018 to present); Kansas<br>City Campus for Animal Care (2018 to<br>present); Director, National<br>Association of Manufacturers<br>(2010-2015); Director, The Children's<br>Center (2003-2015); Director,<br>Metropolitan Affairs Coalition<br>(2003-2015); Director, Michigan<br>Roundtable for Diversity and Inclusion<br>(2003-2015); Trustee, Ivy NextShares<br>(2019); Trustee, Ivy Funds (2019 to<br>present) (45 portfolios overseen);<br>Trustee, InvestEd Portfolios (2019 to<br>present) (10 portfolios overseen);<br>Trustee, Ivy High Income<br>Opportunities Fund (2019 to present)<br>(1 portfolio overseen) |

| NAME,<br>ADDRESS AND<br>YEAR OF BIRTH                                      | POSITION<br>HELD WITH<br>THE TRUST  | TRUSTEE<br>SINCE  | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS   | NUMBER<br>OF FUNDS IN<br>FUND<br>COMPLEX<br>OVERSEEN | OTHER<br>DIRECTORSHIPS<br>HELD DURING<br>PAST 5 YEARS  |
|--|-------------------------------------|-------------------|--|--|--|
| James D. Gressett<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1950  | Trustee                             | 2017              | Chief Executive Officer (CEO) of CalPac Pizza LLC (2011 to present); CEO of CalPac Pizza II LLC (2012 to present); CEO of PacPizza LLC (Pizza Hut franchise) (2000 to present); Member/CEO, Southern Pac Pizza LLC (2013 to present); Partner, Century Bridge Partners (real estate investments) (2007 to present); Manager, Hartley Ranch Angus Beef, LLC (2013 to present); President, Penn Capital Corp. (1995 to present); Partner, Penn Capital Partners (1999 to present); Partner, 1788 Chicken, LLC (food franchise) (2016 to present) | <u>84</u>  | Member/Secretary, The Metochoi Group LLC (1999 to present); Member/Chairman, Idea Homes LLC (homebuilding and development) (2013 to present); Trustee, WRA Funds (2017-2018); Trustee, Ivy NextShares (2016-2019); Trustee, Ivy Funds (2002 to present) (45 portfolios overseen); Trustee, InvestEd Portfolios (2017 to present) ( <u>10</u> portfolios overseen); Trustee, Ivy High Income Opportunities Fund (2013 to present) (1 portfolio overseen)  |
| Joseph Harroz, Jr.<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1967 | Trustee<br><br>Independent Chairman | 1998*<br><br>2015 | <del>President (2020 to present),</del><br>Interim President (2019 to <del>2020</del> ),<br>Vice President (2010-2019) and<br>Dean (2010-2019), College of Law,<br>University of Oklahoma;<br>Managing Member, Harroz<br>Investments, LLC, (commercial<br>enterprises) (1998 to <del>2019</del> );<br><del>Managing Member, St. Clair, LLC</del><br><del>(commercial enterprises) (2019 to</del><br>present)   | <u>84</u>  | Director, <del>OU Medicine, Inc.</del><br><del>(2020-present);</del> Director and<br>Shareholder, Valliance Bank (2007 to<br>present); Director, Foundation<br>Healthcare (formerly Graymark<br>HealthCare) (2008-2017); Trustee, the<br>Mewbourne Family Support<br>Organization (2006 to present)<br>(non-profit); Independent Director,<br>LSQ Manager, Inc. (real estate)<br>(2007-2016); Director, Oklahoma<br>Foundation for Excellence (non-profit)<br>(2008 to present); Independent<br>Chairman and Trustee, WRA Funds<br>(Independent Chairman: 2015-2018;<br>Trustee: 1998-2018); Independent<br>Chairman and Trustee, Ivy NextShares<br>(2016-2019); Independent Chairman<br>and Trustee, Ivy Funds (Independent<br>Chairman: 2006 to present;<br>Trustee: 1998 to present) (45<br>portfolios overseen); Independent<br>Chairman and Trustee, InvestEd<br>Portfolios (Independent<br>Chairman: 2015 to present;<br>Trustee: 2001 to present) ( <u>10</u><br>portfolios overseen); Independent<br>Chairman and Trustee, Ivy High<br>Income Opportunities Fund (2013 to<br>present) (1 portfolio overseen) |



| NAME,<br>ADDRESS AND<br>YEAR OF BIRTH  | POSITION<br>HELD WITH<br>THE TRUST | TRUSTEE<br>SINCE | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS   | NUMBER<br>OF FUNDS IN<br>FUND<br>COMPLEX<br>OVERSEEN | OTHER<br>DIRECTORSHIPS<br>HELD DURING<br>PAST 5 YEARS  |
|--|------------------------------------|------------------|--|--|--|
| Glendon E. Johnson, Jr.<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1951                          | Trustee                            | 2017             | Of Counsel, Lee & Smith, PC (law firm, emphasis on finance, securities, mergers and acquisitions law) (1996 to 2019); Owner and Manager, Castle Valley Ranches, LLC (ranching) and Castle Valley Outdoors, LLC (outdoor recreation) (1995 to present); Formerly, Partner, Kelly, Drye & Warren LLP (law firm) (1989-1996); Partner, Lane & Edson PC (law firm) (1987-1989) | <u>84</u>  | Director, Thomas Foundation for Cancer Research (non-profit) (2005 to present); Director, Warriors Afield Legacy Foundation (non-profit) (2014 to present); Trustee, WRA Funds (2017-2018); Trustee, Ivy NextShares (2016-2019); Trustee, Ivy Funds (2002 to present) (45 portfolios overseen); Trustee, InvestEd Portfolios (2017 to present) ( <u>10</u> portfolios overseen); Trustee, Ivy High Income Opportunities Fund (2013 to present) (1 portfolio overseen)  |
| Sandra A.J. Lawrence<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1957                             | Trustee                            | 2019             | Retired; formerly, Chief Administrative Officer, Children's Mercy Hospitals and Clinics (2016-2019); CFO, Children's Mercy Hospitals and Clinics (2005-2016)   | <u>84</u>  | Director, Hall Family Foundation (1993 to present); Director, Westar Energy ( <u>utility</u> ) (2004-2018); Trustee, Nelson-Atkins Museum of Art (non-profit) (2007- <u>2020</u> ); Director, Turn the Page KC (non-profit) (2012-2016); Director, Kansas Metropolitan Business and Healthcare Coalition (non-profit) (2017-2019); Director, National Association of Corporate Directors (non-profit) (2017 to present); Director, American Shared Hospital Services ( <u>medical device</u> ) (2017 to present); Director, Evergy, Inc., Kansas City Power & Light Company, KCP&L Greater Missouri Operations Company, Westar Energy, Inc. and Kansas Gas and Electric Company (related utility companies) (2018 to present); Director, Stowers (research) (2018); <u>CoChair, Women Corporate, Directors (director education) (2018-2020)</u> , Trustee, Ivy NextShares (2019); Trustee, Ivy Funds (2019 to present) (45 portfolios overseen); Trustee, InvestEd Portfolios (2019 to present) ( <u>10</u> portfolios overseen); Trustee, Ivy High Income Opportunities Fund (2019 to present) (1 portfolio overseen) |
| Frank J. Ross, Jr.<br>Polsinelli PC<br>900 West 48th Place<br>Suite 900<br>Kansas City, MO 64112<br>1953 | Trustee                            | 1996*            | Shareholder/Director, Polsinelli PC (law firm) (1980 to present)   | <u>84</u>  | Trustee, WRA Funds (1996-2018); Trustee, Ivy NextShares (2017-2019); Trustee, Ivy Funds (2017 to present) (45 portfolios overseen); Trustee, InvestEd Portfolios (2001 to present) ( <u>10</u> portfolios overseen); Trustee, Ivy High Income Opportunities Fund (2017 to present) (1 portfolio overseen)  |

| NAME,<br>ADDRESS AND<br>YEAR OF BIRTH                                    | POSITION<br>HELD WITH<br>THE TRUST | TRUSTEE<br>SINCE | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS  | NUMBER<br>OF FUNDS IN<br>FUND<br>COMPLEX<br>OVERSEEN | OTHER<br>DIRECTORSHIPS<br>HELD DURING<br>PAST 5 YEARS   |
|--|------------------------------------|------------------|---|--|---|
| Michael G. Smith<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1944 | Trustee                            | 2017             | Retired; formerly, with Merrill Lynch as Managing Director of Global Investor Client Strategy (1996-1998), Head of Regional Institutional Sales (1995-1996) and of U.S. Central Region (1986-1995, 1999). | <u>84</u>  | Director, Executive Board, Cox Business School, Southern Methodist University (1998-2019); Lead Director, Northwestern Mutual Funds (2003-2017) (29 portfolios overseen); Director, CTMG, Inc. (clinical testing) (2008-2015); Trustee, WRA Funds (2017-2018); Trustee, Ivy NextShares (2016-2019); Trustee, Ivy Funds (2002 to present) (45 portfolios overseen); Trustee, InvestEd Portfolios (2017 to present) ( <u>10</u> portfolios overseen); Trustee, Ivy High Income Opportunities Fund (2013 to present) (1 portfolio overseen). |

\* This date shows when the Trustee first became a director of one or more of the portfolios that are the predecessors to current portfolios within the Ivy Variable Insurance Portfolios.

### ***Interested Trustee***

Mr. Sanders is “interested” by virtue of his current or former engagement as an officer of WDR or its wholly-owned subsidiaries, including IICO, each Portfolio's investment manager, IDI, each Portfolio's principal underwriter, and Waddell & Reed Services Company, doing business as WI Services Company (WISC), a subsidiary of Waddell & Reed, Inc. (Waddell & Reed), each Portfolio's transfer and accounting services agent, as well as by virtue of his personal ownership in shares of WDR.

| NAME,<br>ADDRESS AND<br>YEAR OF BIRTH                                     | POSITION(S)<br>HELD WITH<br>THE TRUST | TRUSTEE<br>SINCE | PRINCIPAL<br>OCCUPATION(S)<br>DURING PAST<br>5 YEARS   | NUMBER<br>OF FUNDS IN<br>FUND<br>COMPLEX<br>OVERSEEN | OTHER<br>DIRECTORSHIPS<br>HELD DURING<br>PAST 5 YEARS   |
|---|---------------------------------------|------------------|--|--|---|
| Philip J. Sanders<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1959 | Trustee                               | 2019             | CEO, WDR (2016 to present); President, CEO and Chairman, IICO (2016 to present); President of each of the funds in the Fund Complex (2016 to present); CIO, WDR (2011- <u>2019</u> ); CIO, IICO (2010 to <u>2019</u> ); CIO, Waddell & Reed Investment Management Company (WRIMCO) (2010-2018) | <u>84</u>  | Trustee, Ivy NextShares (2019); Trustee, Ivy Funds (2019 to present) (45 portfolios overseen); Trustee, InvestEd Portfolios (2019 to present) ( <u>10</u> portfolios overseen); Trustee, Ivy High Income Opportunities Fund (2019 to present) (1 portfolio overseen). |

In addition to the information set forth in the tables above and other relevant qualifications, experience, attributes or skills applicable to a particular Trustee, the following provides further information about the qualifications and experience of each Trustee:

### **James M. Concannon**

Mr. Concannon has organizational management experience as the dean of a law school. He has served as an officer and on the boards of non-profit organizations. He has multiple years of service as a Trustee to the Fund Complex. The Board concluded that Mr. Concannon is suitable to serve as Trustee because of his academic background and the length of his service as a Trustee to the Trust and to other trusts within the Fund Complex.

## **H. Jeffrey Dobbs**

Mr. Dobbs has more than 35 years of experience in the automotive, industrial manufacturing, financial services and consumer sectors. He also has served as a partner in a public accounting firm. Mr. Dobbs holds a degree in accounting from Valparaiso University. The Board concluded that Mr. Dobbs is suitable to act as Trustee because of his extensive work in the global professional services industry, as well as his educational background.

## **James D. Gressett**

Mr. Gressett has served as the CEO of a closely-held corporation. He also has served as an accountant and partner in a public accounting firm. Mr. Gressett also has been a member and chairman of the boards of several closely-held corporations and charitable organizations. Mr. Gressett holds a B.B.A. of Accountancy degree from the University of Texas at Austin. He has multiple years of service as a Trustee to the Fund Complex. The Board concluded that Mr. Gressett is suitable to serve as Trustee because of his work experience, his academic background, his service on other corporate and charitable boards and the length of his service as a Trustee to the Trust and to other trusts within the Fund Complex.

## **Joseph Harroz, Jr.**

Mr. Harroz serves as the President of a state university, and also serves as a director of a bank. He also has served as a president and director of a publicly-traded company, as Interim President and General Counsel to a state university system and as Dean of the College of Law of that state university. Mr. Harroz holds a B.A. degree from the University of Oklahoma and a J.D. from Georgetown University Law Center. Mr. Harroz has multiple years of service as a Trustee to the Fund Complex. The Board concluded that Mr. Harroz is suitable to serve as Trustee because of his educational background, his work experience and the length of his service as a Trustee to the Trust and to other trusts within the Fund Complex.

## **Glendon E. Johnson, Jr.**

Mr. Johnson practiced law for over 30 years, specializing in corporate finance, securities and mergers and acquisitions, including representing and advising financial services companies and investment advisers and their boards. In addition, for over twelve years, he was involved in the acquisition, sale, financing, and daily business affairs of several financial service companies, including investment managers. He serves as a Director of the Thomas Foundation for Cancer Research. Mr. Johnson holds an Honors B.A. of Economics and Business from the University of Utah, and a J.D. from the University of Texas Law School at Austin, where he was a member and note and comment editor of the Texas Law Review. He has multiple years of service as a Trustee to the Fund Complex. The Board concluded that Mr. Johnson is suitable to serve as Trustee because of his extensive legal and business experience, academic background and the length of his service as a Trustee to the Trust and to other trusts within the Fund Complex.

## **Sandra A.J. Lawrence**

Ms. Lawrence has been a member and chair of the boards of several closely-held corporations and charitable organizations. She also has more than 14 years of experience serving on boards of public companies and has served as a chief financial officer and on investment committees. Ms. Lawrence holds an A.B. from Vassar College, as well as master's degrees from the Massachusetts Institute of Technology and Harvard Business School. The Board concluded that Ms. Lawrence is suitable to serve as Trustee because of her work experience, financial background, academic background and service on corporate and charitable boards.

## **Frank J. Ross, Jr.**

Mr. Ross has experience as a business attorney and as the head of the business department of a major law firm. He has served as a member of a state banking board and on the boards of a private university, a private secondary school and various non-profit organizations. He has multiple years of service as a Trustee to the Fund Complex. The Board concluded that Mr. Ross is suitable to serve as Trustee because of his work experience and the length of his service as a Trustee to the Trust and to other trusts within the Fund Complex.

## Philip J. Sanders

Mr. Sanders has extensive experience in the investment management business as a member of senior management of WDR. He has multiple years of service as an officer of the Trusts within the Fund Complex. The Board concluded that Mr. Sanders is suitable to serve as Trustee because of his extensive work experience in the financial services and investment management industry and the length of his service as an officer of the Trust and of the other trusts within the Fund Complex.

## Michael G. Smith

Mr. Smith has over 40 years of experience in the financial services and investment management industry. He has served as a member and chairman of the boards of several mutual funds and charitable and educational organizations. Mr. Smith is a Chartered Financial Analyst and holds a B.B.A. of Finance degree and an M.B.A. degree from Southern Methodist University. He has multiple years of service as a Trustee to the Fund Complex. The Board concluded that Mr. Smith is suitable to act as Trustee because of his extensive work experience in the financial services and investment management industry, his educational and charitable organization experience, his educational background and the length of his service as a Trustee to the Trust and to other trusts within the Fund Complex.

### Officers

The Board has appointed officers who are responsible for the day-to-day business decisions based on policies it has established. The officers serve at the pleasure of the Board. The Trust's principal officers are:

| NAME,<br>ADDRESS AND<br>YEAR OF BIRTH                                       | POSITION(S)<br>HELD WITH<br>THE TRUST | OFFICER<br>OF TRUST<br>SINCE | OFFICER<br>OF FUND<br>COMPLEX<br>SINCE* | PRINCIPAL OCCUPATION(S)<br>DURING PAST 5 YEARS  |
|---|---------------------------------------|------------------------------|---|---|
| Jennifer K. Dulski<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1980  | Secretary                             | 2017                         | 2017                                    | Secretary for each of the funds in the Fund Complex (2017 to present); Senior Vice President and Associate General Counsel of Waddell & Reed, IICO and IDI (2018 to present)  |
| Joseph W. Kauten<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1969    | Vice President                        | 2009                         | 2006                                    | Principal Financial Officer of each of the funds in the Fund Complex (2007 to present); Vice President and Treasurer of each of the funds in the Fund Complex (2006 to present); Principal Accounting Officer of each of the funds in the Fund Complex (2006-2017); Assistant Treasurer of each of the funds in the Fund Complex (2003-2006); Vice President of Waddell & Reed Services Company (WRSCO) (2007 to present) |
|   | Treasurer                             | 2009                         | 2006                                    |   |
|   | Principal Financial Officer           | 2009                         | 2007                                    |   |
| Philip J. Sanders**<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1959 | President                             | 2016                         | 2016                                    | CEO of WDR (2016 to present); President, CEO and Chairman of IICO (2016 to present) and WRIMCO (2016-2018); President of each of the funds in the Fund Complex (2016 to present); CIO of WDR (2011 - 2019); CIO of IICO (2010-2019) and WRIMCO (2010-2018)  |
| Scott J. Schneider<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1968  | Vice President                        | 2009                         | 2006                                    | CCO (2004 to present) and Vice President (2006 to present) of each of the funds in the Fund Complex; Vice President of IICO (2006 to present) and WRIMCO (2006-2018)  |
|   | Chief Compliance Officer              | 2009                         | 2004                                    |   |
| Philip A. Shipp<br>6300 Lamar Avenue<br>Overland Park, KS 66202<br>1969     | Assistant Secretary                   | 2012                         | 2012                                    | Assistant Secretary of each of the funds in the Fund Complex (2012 to present); Vice President of Waddell & Reed and IDI (2010 to present)  |

\* This is the date when the officer first became an officer of one or more of the funds (or predecessors to current funds) within the Fund Complex (if applicable).

\*\*Mr. Sanders was Vice President of the Trust from 1998, until his appointment as President in August 2016.

## Committees of the Board of Trustees

The Board has established the following standing committees: Audit Committee, Executive Committee, Investment Oversight Committee and Governance Committee. The respective duties and current memberships of the standing committees are:

**Audit Committee.** The Audit Committee serves as an independent and objective party to monitor the Trust's accounting policies, financial reporting and internal control system, as well as the work of the Trust's independent registered public accounting firm. The Committee also serves to provide an open avenue of communication among the Trust's independent registered public accounting firm, the internal accounting staff of IICO and the Board. The Audit Committee consists of H. Jeffrey Dobbs (Chair), James M. Concannon and James D. Gressett. During the fiscal year ended December 31, 2020, the Audit Committee met 4 times.

**Executive Committee.** The Executive Committee acts as necessary on behalf of the full Board. When the Board is not in session, the Executive Committee has and may exercise any or all of the powers of the Board in the management of the business and affairs of the Portfolios except the power to increase or decrease the size of, or fill vacancies on, the Board, and except as otherwise provided by law. The Executive Committee consists of Glendon E. Johnson, Jr. and Philip J. Sanders. During the fiscal year ended December 31, 2020, the Executive Committee did not meet.

**Investment Oversight Committee.** The Investment Oversight Committee reviews, among other things, the investment performance of the Portfolios, any proposed changes to the Portfolios' investment policies, and the Portfolios' market trading activities and portfolio transactions. The Investment Oversight Committee consists of Michael G. Smith (Chair), James M. Concannon and Glendon E. Johnson, Jr. During the fiscal year ended December 31, 2020, the Investment Oversight Committee met 4 times.

**Governance Committee.** The Governance Committee evaluates, selects and recommends to the Board candidates to serve as Independent Trustees. The Committee will consider candidates for Trustee recommended by Shareholders. Written recommendations with any supporting information should be directed to the Secretary of the Trust. The Governance Committee also oversees the functioning of the Board and its committees. The Governance Committee consists of Frank J. Ross, Jr. (Chair), James D. Gressett, Glendon E. Johnson, Jr. and Sandra A.J. Lawrence. During the fiscal year ended December 31, 2020, the Governance Committee met 7 times.

The Board has authorized the creation of a Valuation Committee comprised of such persons as may be designated from time to time by WISC and includes Philip J. Sanders. This committee is responsible in the first instance for fair valuation and reports all valuations to the Board on a quarterly (or on an as-needed) basis for its review and approval.

### ***Risk Oversight***

Consistent with its responsibility for oversight of the Trust and its Portfolios, the Board oversees the management of risks relating to the administration and operation of the Trust and the Portfolios. The Board performs this risk management oversight directly and, as to certain matters, directly through its committees and through its Independent Trustees. The following provides an overview of the principal, but not all, aspects of the Board's oversight of risk management for the Trust and the Portfolios.

In general, a Portfolio's risks include, among other things, investment risk, credit risk, liquidity risk, valuation risk, operational risk and regulatory compliance risk. The Board has adopted, and periodically reviews, policies and procedures designed to address these and other risks to the Trust and the Portfolios. In addition, under the general oversight of the Board, IICO, each Portfolio's Investment Manager and other service providers to the Trust have themselves adopted a variety of policies, procedures and controls designed to address particular risks of the Portfolios. Different processes, procedures and controls are employed with respect to different types of risks.

The Board also oversees risk management for the Trust and the Portfolios through review of regular reports, presentations and other information from officers of the Trust and other persons.



Senior officers of the Trust, senior officers of IICO, IDI, and WISC (collectively, “Ivy”), and the Portfolios' CCO regularly report to the Board on a range of matters, including those relating to risk management. The Board also regularly receives reports from IICO with respect to the investments and securities trading of the Portfolios, reports from management personnel regarding valuation procedures and reports from management’s Valuation Committee (described above) regarding the valuation of particular securities. In addition to regular reports from Ivy, the Board also receives reports regarding other service providers to the Trust, either directly or through Ivy or the Portfolios' CCO, on a periodic or regular basis. At least annually, the Board receives a report from the Portfolios' CCO regarding the effectiveness of the Portfolios' compliance program. Also, on an annual basis, the Board receives reports, presentations and other information from Ivy in connection with the Board’s consideration of the renewal of each of the Trust’s agreements with Ivy and the Trust’s distribution plans under Rule 12b-1 under the 1940 Act.

Senior officers of the Trust and senior officers of Ivy also report regularly to the Audit Committee on Portfolio valuation matters and on the Trust’s internal controls and accounting and financial reporting policies and practices. Ivy compliance and internal audit personnel also report regularly to the Audit Committee. In addition, the Audit Committee receives regular reports from the Trust’s independent registered public accounting firm on internal control and financial reporting matters. On at least a quarterly basis, the Independent Trustees meet separately with the Portfolios' CCO to discuss matters relating to the Trust’s compliance program.

## Ownership of Portfolio Shares

(as of December 31, 2020)

The following tables provide information regarding shares of the Portfolios beneficially owned by each Trustee, as determined in accordance with Rule 16a-1(a)(2) under the Securities Exchange Act of 1934, as amended (Exchange Act), as well as the aggregate dollar range of shares owned, by each Trustee, of funds within the Fund Complex. The Portfolios’ shares are available for purchase only by Participating Insurance Companies (PICs) and are indirectly owned by investors in the Policies for which the Portfolios serve as the underlying investment vehicle. An Independent Trustee may elect to defer a portion of his or her annual compensation, which deferred amount is deemed to be invested in shares of funds within the Fund Complex. The amounts listed below as “owned” shares include any shares in which the Trustee’s deferred compensation is deemed invested by a Trustee.

### Independent Trustees

| Trustee                      | Dollar Range of Shares Owned in any of the Portfolios | Aggregate Dollar Range of Shares Owned of All Funds within the Fund Complex |
|------------------------------|---|---|
| James M. Concannon .....     | \$0   | over \$100,000  |
| H. Jeffrey Dobbs .....       | \$0   | over \$100,000  |
| James D. Gressett .....      | \$0   | over \$100,000  |
| Joseph Harroz, Jr. ....      | see note 1 below                                      | over \$100,000  |
| Glendon E. Johnson, Jr. .... | \$0   | over \$100,000  |
| Sandra A.J. Lawrence.....    | \$0   | over \$100,000  |
| Frank J. Ross, Jr. ....      | see note 2 below                                      | over \$100,000  |
| Michael G. Smith .....       | \$0   | over \$100,000  |

**Note 1:** Dollar range of shares of the following Portfolio “owned” through deemed investments by Joseph Harroz, Jr.:

Ivy VIP Small Cap Core ..... over \$100,000

**Note 2:** Dollar range of shares of the following Portfolio “owned” through deemed investments by Frank J. Ross, Jr.:

Ivy VIP Natural Resources..... \$1 to \$10,000

## Interested Trustee

| Trustee                 | Dollar Range of Shares Owned in any of the Portfolios | Aggregate Dollar Range of Shares Owned of All Funds within the Fund Complex |
|-------------------------|---|---|
| Philip J. Sanders ..... | \$0   | over \$100,000  |

## Compensation

The fees paid to the Trustees are allocated among the funds within the Fund Complex based on each fund's relative asset size. During the fiscal year ended December 31, 2020, the Trustees received (or were entitled to receive) the following compensation for service as a Trustee of the Trust and each of the other trusts within the Fund Complex.

### Compensation Table

| Independent Trustees                  | Total Compensation from the Trust | Total Compensation from the Fund Complex <sup>1</sup> |
|---------------------------------------|-----------------------------------|---|
| James M. Concannon .....              | \$50,254                          | \$326,250   |
| H. Jeffrey Dobbs .....                | 48,513                            | 315,000   |
| James D. Gressett .....               | 45,420                            | 295,000   |
| Joseph Harroz, Jr. <sup>2</sup> ..... | 59,289                            | 385,000   |
| Glendon E. Johnson, Jr. ....          | 45,420                            | 295,000   |
| Sandra A.J. Lawrence .....            | 50,047                            | 325,000   |
| Frank J. Ross, Jr. ....               | 47,731                            | 310,000   |
| Michael G. Smith .....                | 46,197                            | 300,000   |
| Edward M. Tighe <sup>3</sup> .....    | 46,197                            | 300,000   |

| Interested Trustees                  | Total Compensation from the Trust | Total Compensation from the Fund Complex <sup>1</sup> |
|--------------------------------------|-----------------------------------|---|
| Henry J. Herrmann <sup>3</sup> ..... | \$0                               | \$0   |
| Philip J. Sanders .....              | 0                                 | 0   |

<sup>1</sup> No pension or retirement benefits have been accrued as a part of the Trust's expenses.

<sup>2</sup> Mr. Harroz receives an additional annual fee of \$100,000 for his services as Independent Chair of the Board and of the Board of Trustees of each of the other trusts within the Fund Complex.

<sup>3</sup> Retired as of December 31, 2020.

Of the totals listed in the *Total Compensation from the Fund Complex* column above, the following amounts have been deferred:

|                                    |           |
|------------------------------------|-----------|
| James M. Concannon .....           | \$180,000 |
| H. Jeffrey Dobbs .....             | 0         |
| James D. Gressett .....            | 50,000    |
| Joseph Harroz, Jr. ....            | 38,500    |
| Glendon E. Johnson, Jr. ....       | 0         |
| Sandra A.J. Lawrence .....         | 0         |
| Frank J. Ross, Jr. ....            | 0         |
| Michael G. Smith .....             | 0         |
| Edward M. Tighe <sup>1</sup> ..... | 30,000    |

<sup>1</sup> Retired as of December 31, 2020.

Neither Mr. Herrmann nor Mr. Sanders received compensation from any of the funds in the Fund Complex. The officers, as well as the Interested Trustees, are paid by IICO or its affiliates.

The Board has created an honorary position of Trustee Emeritus, whereby an incumbent trustee who had attained the age of 70 could elect to serve as a Trustee Emeritus. Alternatively, if a trustee was initially elected on or after May 31, 1993 to the Board or to the board of trustees of either the legacy Waddell & Reed Advisors Funds or InvestEd Portfolios (each, an “Other Trust”), or as a director of a fund to which an Other Trust was the successor, and had attained the age of 78, such trustee was required to resign his other position as trustee and, unless he or she elects otherwise, serve as Trustee Emeritus. In either case, that trustee must have served as a trustee or director of the Trust or an Other Trust for at least five years, which need not have been consecutive. A Trustee Emeritus receives fees in recognition of his or her past services whether or not services are rendered in his or her Emeritus capacity, but he or she has no authority or responsibility with respect to the management of the Trust. The only Trustees currently eligible for the position of Trustee Emeritus are those Trustees who were Trustees of the Trust on December 31, 2016.

A Trustee Emeritus receives an annual fee in an amount equal to the annual retainer he or she was receiving at the time he or she resigned as a trustee or director. If a Trustee Emeritus was initially elected as a trustee or director to the Board of the Trust or an Other Trust before May 31, 1993, such annual fee is payable as long as the trustee or director holds Trustee Emeritus status, which may be for the remainder of his or her lifetime. However, if a Trustee Emeritus was initially elected as a trustee or director to the Board of the Trust or an Other Trust on or after May 31, 1993, such Trustee Emeritus receives such annual fee only for a period of three years commencing upon the date the Trustee began his or her emeritus service, or in an equivalent lump sum. A Trustee who takes the position of Trustee Emeritus after January 1, 2017, will only receive an annual fee in an amount equal to the annual retainer he or she received in 2016.

Each of Messrs. Jarold W. Boettcher, John A. Dillingham and Frederick Vogel III serves as a Trustee Emeritus. Mr. Vogel initially was elected to a board of directors of an Other Trust before May 31, 1993, and therefore he receives an amount equal to the annual retainer he was receiving at the time he resigned as a director for as long as he holds Trustee Emeritus status, which may be for the remainder of his lifetime. Each of the other Trustee Emeritus initially were elected after May 31, 1993, and each therefore receives an amount equal to the annual retainer he was receiving at the time he resigned as a trustee for three years commencing upon the date he became a Trustee Emeritus.

The fees paid to each Trustee Emeritus are allocated among the funds that were in existence at the time the Trustee elected Trustee Emeritus status, based on each fund’s net assets at that time.

The following table shows the total fees paid, as well as the portion of those fees paid by the Trust to the current Trustee Emeritus, for the fiscal year ended December 31, 2020:

| <b>Director Emeritus</b>  | <b>Aggregate Compensation from the Trust</b> | <b>Total Compensation from the Fund Complex</b> |
|---------------------------|--|---|
| Jarold W. Boettcher ..... | \$30,923                                     | \$200,000                                       |
| John A. Dillingham .....  | 26,980                                       | 170,000   |
| Frederick Vogel III ..... | 17,352                                       | 78,500  |

## Codes of Ethics

The Trust, Securian AM, IICO and IDI have adopted Codes of Ethics under Rule 17j-1 under the 1940 Act that permits their respective trustees, directors, officers and employees to invest in securities, including securities that may be purchased or held by a Portfolio. Each Code of Ethics subjects covered personnel to certain restrictions that include prohibited activities, pre-clearance requirements and reporting obligations.

## CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

The following table sets forth information with respect to the Portfolios, as of April 1, 2021, regarding the record or beneficial ownership of 5% or more of any Portfolio's shares. Shareholders who have the power to vote a large percentage of shares (at least 25% of the voting shares of a Portfolio) of a particular Portfolio can control the Portfolio and affect the outcome of a proxy vote or the direction of management of the Portfolio.

| Portfolio Name         | Class | Shareholder Name, City and State                           | Total Shares Owned    | % of Portfolio |
|------------------------|-------|--|-----------------------|----------------|
| Ivy VIP Asset Strategy | I     | Ivy Investment Management Company<br>Mission, KS           | <u>35,001,693</u>     | <u>100%</u>    |
|                        | II    | Nationwide Investment Services Corporation<br>Columbus, OH | <u>28,509,174.924</u> | 40.31%         |
|                        |       | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>15,307,322.537</u> | <u>21.26%</u>  |
|                        |       | Ohio National Life Insurance Co.<br>Cincinnati, OH         | <u>12,847,613.672</u> | <u>18.16%</u>  |
| Ivy VIP Balanced       | II    | Nationwide Investment Services Corporation<br>Columbus, OH | <u>8,711,221.557</u>  | <u>22.76%</u>  |
|                        |       | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>24,436,417.917</u> | <u>63.86%</u>  |
|                        |       | United Investors Life<br>Birmingham, AL                    | <u>2,697,568.723</u>  | <u>7.05%</u>   |
| Ivy VIP Core Equity    | II    | Bank of New York-Mellon<br>Mission, KS                     | <u>4,572,432.450</u>  | <u>9.74%</u>   |
|                        |       | Nationwide Investment Services Corporation<br>Columbus, OH | <u>11,289,576.777</u> | <u>24.06%</u>  |
|                        |       | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>7,967,970.002</u>  | <u>16.98%</u>  |
|                        |       | Waddell & Reed Inc.<br>Mission, KS                         | <u>9,844,752.605</u>  | <u>10.49%</u>  |
|                        |       | United Investors Life<br>Birmingham, AL                    | <u>8,832,749.699</u>  | <u>18.82%</u>  |
| Ivy VIP Corporate Bond | II    | Bank of New York-Mellon<br>Mission, KS                     | <u>22,552,229.567</u> | <u>18.57%</u>  |
|                        |       | Nationwide Investment Services Corporation<br>Columbus, OH | <u>12,565,002.656</u> | <u>10.35%</u>  |
|                        |       | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>21,298,590.557</u> | <u>17.54%</u>  |
|                        |       | Waddell & Reed Inc.<br>Mission, KS                         | <u>47,250,984.471</u> | <u>12.97%</u>  |
| Ivy VIP Energy         | I     | Ivy Investment Management Company<br>Mission, KS           | <u>44,326.774</u>     | <u>40.83%</u>  |
|                        |       | Lincoln National Life Insurance Co.<br>Fort Wayne, IN      | <u>64,228.783</u>     | <u>59.17%</u>  |
|                        | II    | Nationwide Investment Services Corporation<br>Columbus, OH | <u>3,115,601.867</u>  | <u>14.98%</u>  |
|                        |       | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>1,258,001.731</u>  | <u>6.05%</u>   |
|                        |       | Pacific Life<br>Newport Beach, CA                          | <u>10,363,850.446</u> | <u>49.81%</u>  |
|                        |       | Lincoln National Life Insurance Co.<br>Fort Wayne, IN      | <u>3,234,693.526</u>  | <u>15.55%</u>  |

| <b>Portfolio Name</b>              | <b>Class</b> | <b>Shareholder Name, City and State</b>                              | <b>Total Shares Owned</b> | <b>% of Portfolio</b> |
|------------------------------------|--------------|--|---------------------------|-----------------------|
| Ivy VIP Global Bond                | II           | Jefferson National<br>Louisville, KY                                 | <u>308,952.939</u>        | <u>7.88%</u>          |
|                                    |              | Nationwide Investment Services Corporation<br>Columbus, OH           | <u>1,247,329.208</u>      | <u>31.80%</u>         |
|                                    |              | Minnesota Life Insurance Co.<br>St. Paul, MN                         | <u>1,130,135.283</u>      | <u>28.82%</u>         |
|                                    |              | Guardian Insurance & Annuity<br>Bethlehem, PA                        | <u>943,193.131</u>        | <u>24.05%</u>         |
|                                    |              | <u>Midland National Life Insurance</u><br><u>West Des Moines, IA</u> | <u>223,978.605</u>        | <u>5.71%</u>          |
| Ivy VIP Global Equity<br>Income    | II           | Bank of New York-Mellon<br>Mission, KS                               | <u>9,941,377.460</u>      | <u>20.28%</u>         |
|                                    |              | Nationwide Investment Services Corporation<br>Columbus, OH           | <u>4,527,512.029</u>      | <u>9.24%</u>          |
|                                    |              | Minnesota Life Insurance Co.<br>St. Paul, MN                         | <u>2,737,334.934</u>      | <u>5.58%</u>          |
|                                    |              | Waddell & Reed Inc.<br>Mission, KS                                   | <u>22,744,170.771</u>     | <u>23.20%</u>         |
| Ivy VIP Global Growth              | II           | Nationwide Investment Services Corporation<br>Columbus, OH           | <u>10,140,999.931</u>     | <u>29.00%</u>         |
|                                    |              | Minnesota Life Insurance Co.<br>St. Paul, MN                         | <u>15,779,860.213</u>     | <u>45.12%</u>         |
|                                    |              | United Investors Life<br>Birmingham, AL                              | <u>7,472,059.948</u>      | <u>21.37%</u>         |
| Ivy VIP Government<br>Money Market | II           | Bank of New York-Mellon<br>Mission, KS                               | <u>5,297,744.560</u>      | <u>7.36%</u>          |
|                                    |              | Nationwide Investment Services Corporation<br>Columbus, OH           | <u>37,992,101.390</u>     | <u>26.38%</u>         |
|                                    |              | Minnesota Life Insurance Co.<br>St. Paul, MN                         | <u>13,187,762.420</u>     | <u>18.32%</u>         |
|                                    |              | Waddell & Reed Inc.<br>Mission, KS                                   | <u>4,804,440.200</u>      | <u>6.67%</u>          |
|                                    |              | <u>United Investors Life</u><br><u>Birmingham, AL</u>                | <u>4,213,229.450</u>      | <u>5.85%</u>          |
| Ivy VIP Growth                     | II           | Bank of New York-Mellon<br>Mission, KS                               | <u>8,943,794.820</u>      | <u>11.89%</u>         |
|                                    |              | Nationwide Investment Services Corporation<br>Columbus, OH           | <u>17,713,062.065</u>     | <u>23.54%</u>         |
|                                    |              | Minnesota Life Insurance Co.<br>St. Paul, MN                         | <u>5,451,281.650</u>      | <u>7.25%</u>          |
|                                    |              | Waddell & Reed Inc.<br>Mission, KS                                   | <u>19,000,899.876</u>     | <u>12.63%</u>         |
|                                    |              | United Investors Life<br>Birmingham, AL                              | <u>15,395,133.384</u>     | <u>20.46%</u>         |
| Ivy VIP High Income                | I            | Bank of New York-Mellon<br>Mission, KS                               | <u>1,514,422.963</u>      | <u>25.89%</u>         |
|                                    |              | Waddell & Reed Inc.<br>Mission, KS                                   | <u>3,406,521.300</u>      | <u>14.56%</u>         |



| Portfolio Name                       | Class | Shareholder Name, City and State                           | Total Shares Owned     | % of Portfolio |
|--------------------------------------|-------|--|------------------------|----------------|
|                                      |       | Lincoln National Life Insurance Co.<br>Fort Wayne, IN      | <u>506,943.186</u>     | <u>8.67%</u>   |
|                                      | II    | Nationwide Investment Services Corporation<br>Columbus, OH | <u>55,668,057.948</u>  | <u>21.92%</u>  |
|                                      |       | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>26,204,905.199</u>  | <u>10.32%</u>  |
|                                      |       | AXA Equitable Life Insurance Company<br>Jersey City, NJ    | <u>134,264,463.817</u> | <u>52.88%</u>  |
| Ivy VIP International<br>Core Equity | II    | Bank of New York-Mellon<br>Mission, KS                     | <u>4,499,301.328</u>   | <u>11.99%</u>  |
|                                      |       | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>17,273,098.396</u>  | <u>46.02%</u>  |
|                                      |       | Waddell & Reed Inc.<br>Mission, KS                         | <u>10,293,530.281</u>  | <u>13.71%</u>  |
| Ivy VIP Limited-Term<br>Bond         | II    | Bank of New York-Mellon<br>Mission, KS                     | <u>21,284,933.155</u>  | <u>24.48%</u>  |
|                                      |       | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>8,965,831.034</u>   | <u>10.31%</u>  |
|                                      |       | Waddell & Reed Inc.<br>Mission, KS                         | <u>47,875,481.841</u>  | <u>13.77%</u>  |
| Ivy VIP Mid Cap<br>Growth            | I     | Bank of New York-Mellon<br>Mission, KS                     | <u>3,401,870.195</u>   | <u>25.36%</u>  |
|                                      |       | Waddell & Reed Inc.<br>Mission, KS                         | <u>7,998,219.715</u>   | <u>19.87%</u>  |
|                                      | II    | Nationwide Investment Services Corporation<br>Columbus, OH | <u>16,034,002.504</u>  | <u>64.43%</u>  |
|                                      |       | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>4,661,252.724</u>   | <u>18.73%</u>  |
|                                      |       | Lincoln National Life Insurance Co.<br>Fort Wayne, IN      | <u>1,562,440.593</u>   | <u>6.28%</u>   |
| Ivy VIP Natural<br>Resources         | II    | Nationwide Investment Services Corporation<br>Columbus, OH | <u>3,223,761.327</u>   | <u>13.64%</u>  |
|                                      |       | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>10,889,196.327</u>  | <u>46.08%</u>  |
|                                      |       | AXA Equitable Life Insurance Company<br>Jersey City, NJ    | <u>1,385,053.287</u>   | <u>5.86%</u>   |
|                                      |       | Ohio National Life Insurance Co.<br>Cincinnati, OH         | <u>6,978,347.691</u>   | <u>29.53%</u>  |
| Ivy VIP Pathfinder<br>Aggressive     | II    | Nationwide Investment Services Corporation<br>Columbus, OH | <u>8,032,971.402</u>   | <u>60.32%</u>  |
|                                      |       | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>4,967,513.571</u>   | <u>37.30%</u>  |
| Ivy VIP Pathfinder<br>Conservative   | II    | Nationwide Investment Services Corporation<br>Columbus, OH | <u>15,271,857.192</u>  | <u>75.59%</u>  |
|                                      |       | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>4,861,839.958</u>   | <u>24.06%</u>  |
| Ivy VIP Pathfinder<br>Moderate       | II    | Nationwide Investment Services Corporation<br>Columbus, OH | <u>91,154,238.362</u>  | <u>74.70%</u>  |

| <b>Portfolio Name</b>  | <b>Class</b> | <b>Shareholder Name, City and State</b>                    | <b>Total Shares Owned</b> | <b>% of Portfolio</b> |
|--|--------------|--|---------------------------|-----------------------|
|  |              | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>29,785,982.213</u>     | <u>24.41%</u>         |
| Ivy VIP Pathfinder<br>Moderate – Managed<br>Volatility                   | II           | Nationwide Investment Services Corporation<br>Columbus, OH | <u>41,080,689.883</u>     | <u>32.92%</u>         |
|  |              | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>83,659,184.487</u>     | <u>67.04%</u>         |
| Ivy VIP Pathfinder<br>Moderately Aggressive                              | II           | Nationwide Investment Services Corporation<br>Columbus, OH | <u>107,022,073.855</u>    | <u>72.88%</u>         |
|  |              | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>38,135,358.301</u>     | <u>25.97%</u>         |
| Ivy VIP Pathfinder<br>Moderately Aggressive<br>– Managed Volatility      | II           | Nationwide Investment Services Corporation<br>Columbus, OH | <u>1,789,510.857</u>      | <u>10.46%</u>         |
|  |              | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>15,254,574.555</u>     | <u>89.13%</u>         |
| Ivy VIP Pathfinder<br>Moderately<br>Conservative                         | II           | Nationwide Investment Services Corporation<br>Columbus, OH | <u>25,943,177.440</u>     | <u>73.32%</u>         |
|  |              | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>9,289,442.436</u>      | <u>26.25%</u>         |
| Ivy VIP Pathfinder<br>Moderately<br>Conservative –<br>Managed Volatility | II           | Nationwide Investment Services Corporation<br>Columbus, OH | <u>8,379,944.203</u>      | <u>54.39%</u>         |
|  |              | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>7,026,653.700</u>      | <u>45.61%</u>         |
| Ivy VIP Science and<br>Technology  | I            | Lincoln National Life Insurance Co.<br>Fort Wayne, IN      | <u>41,102.838</u>         | <u>100%</u>           |
|  | II           | Nationwide Investment Services Corporation<br>Columbus, OH | <u>5,223,120.236</u>      | <u>28.70%</u>         |
|  |              | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>3,649,606.449</u>      | <u>20.05%</u>         |
|  |              | Ohio National Life Insurance Co.<br>Cincinnati, OH         | <u>3,249,599.030</u>      | <u>17.85%</u>         |
|  |              | United Investors Life<br>Birmingham, AL                    | <u>3,136,358.356</u>      | <u>17.23%</u>         |
|  |              | Lincoln National Life Insurance Co.<br>Fort Wayne, IN      | <u>1,374,113.042</u>      | <u>7.55%</u>          |
| Ivy VIP Securian Real<br>Estate Securities                               | II           | Nationwide Investment Services Corporation<br>Columbus, OH | <u>3,054,885.474</u>      | <u>69.66%</u>         |
|  |              | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>1,126,404.852</u>      | <u>25.68%</u>         |
| Ivy VIP Small Cap Core   | II           | Nationwide Investment Services Corporation<br>Columbus, OH | <u>1,165,009.606</u>      | <u>9.63%</u>          |
|  |              | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>9,223,431.042</u>      | <u>76.25%</u>         |

| <b>Portfolio Name</b>    | <b>Class</b> | <b>Shareholder Name, City and State</b>                    | <b>Total Shares Owned</b> | <b>% of Portfolio</b> |
|--------------------------|--------------|--|---------------------------|-----------------------|
|                          |              | Midland National Life Insurance<br>West Des Moines, IA     | <u>847,984.293</u>        | <u>7.01%</u>          |
| Ivy VIP Small Cap Growth | I            | Bank of New York-Mellon<br>Mission, KS                     | <u>1,105,510.071</u>      | <u>25.62%</u>         |
|                          |              | Waddell & Reed Inc.<br>Mission, KS                         | <u>2,633,289.469</u>      | <u>20.34%</u>         |
|                          | II           | Nationwide Investment Services Corporation<br>Columbus, OH | <u>8,148,283.032</u>      | <u>24.98%</u>         |
|                          |              | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>6,415,366.197</u>      | <u>19.66%</u>         |
|                          |              | AXA Equitable Life Insurance Company<br>Jersey City, NJ    | <u>9,996,757.065</u>      | <u>30.64</u>          |
|                          |              | United Investors Life<br>Birmingham, AL                    | <u>5,286,029.657</u>      | <u>16.20%</u>         |
| Ivy VIP Value            | II           | Bank of New York-Mellon<br>Mission, KS                     | <u>8,504,988.611</u>      | <u>13.80%</u>         |
|                          |              | Nationwide Investment Services Corporation<br>Columbus, OH | <u>7,922,873.215</u>      | <u>12.86%</u>         |
|                          |              | Minnesota Life Insurance Co.<br>St. Paul, MN               | <u>19,720,039.983</u>     | <u>32.01%</u>         |
|                          |              | Waddell & Reed Inc.<br>Mission, KS                         | <u>18,211,966.785</u>     | <u>14.78%</u>         |

As of April 1, 2021, all of the Trustees and officers of the Trust, as a group, beneficially owned less than 1% of the outstanding shares of any Portfolio.

## INVESTMENT ADVISORY AND OTHER SERVICES

### The Management Agreement

The Trust has entered into two separate Investment Management Agreements (each, a Management Agreement) with IICO. Under the Management Agreement, as to each Portfolio, IICO is employed to supervise the investments of the Portfolios and provide investment advice to the Portfolios, and/or monitor and supervise the activities of a Subadviser, if applicable. The Management Agreement obligates IICO to make investments for the account of each Portfolio in accordance with its best judgment and within the investment objective(s) and restrictions set forth in the Prospectus, this SAI, the 1940 Act and the provisions of the Code relating to RICs, subject to policy decisions adopted by the Board. IICO also determines the securities to be purchased or sold by each Portfolio and places the orders (except to the extent those services are provided by the Portfolios' subadviser). The Management Agreement with respect to Ivy VIP International Core Equity, Ivy VIP Natural Resources, Ivy VIP Securian Real Estate Securities, Ivy VIP Small Cap Core and the Managed Volatility Portfolios also authorizes IICO to appoint one or more qualified Subadvisers to provide these Portfolios with certain services required by the Management Agreement.

IICO is the parent company of IDI and is a wholly-owned subsidiary of WDR, a publicly-held company. The address of these companies is 6300 Lamar Avenue, Overland Park, Kansas 66202-4200.

Each Management Agreement provides that it may be renewed year to year as to each Portfolio, provided that any such renewal has been specifically approved, at least annually, by (i) the Board, or by a vote of a majority (as defined in the 1940 Act) of the outstanding voting securities of the Portfolio, and (ii) the vote of a majority of the Independent Trustees. The Management Agreement also provides that either party has the right to terminate it as to a Portfolio, without penalty, upon 60 days' written notice by the Trust to IICO and 120 days' written notice by IICO to the Trust, and that the Management Agreement automatically terminates in the event of its assignment (as defined in the 1940 Act). A discussion regarding the basis of the approval by the Board of the Management Agreement on behalf of each Portfolio is available in the Portfolios' Annual Report to Shareholders for the period ended December 31, 2020.

### Investment Subadviser

Securian AM, an SEC-registered investment adviser located at 400 Robert Street North, St. Paul, Minnesota 55101, has been retained under an investment subadvisory agreement to provide investment advice for and, in general, conduct the investment management program of Ivy VIP Securian Real Estate Securities and under a separate agreement, conduct the investment management program as it relates to the portion of each Managed Volatility Portfolio's portfolio subject to the volatility management strategy of the Managed Volatility Portfolio, subject to the general control of the Board. Since its inception in 1985, Securian AM and its predecessor have provided investment advisory services for mutual funds and have managed investment portfolios for various private accounts, including its affiliate, Minnesota Life Insurance Company (Minnesota Life). Both Securian AM and Minnesota Life are wholly-owned subsidiaries of Securian Financial Group, Inc., which is a second-tier subsidiary of Minnesota Mutual Companies, Inc., a mutual insurance holding company. Personnel of Securian AM also manage Minnesota Life's investment portfolios. Securian AM had approximately \$52.3 billion in assets under management as of December 31, 2020.

Securian AM acts as the Subadviser to Ivy VIP Securian Real Estate Securities and each Managed Volatility Portfolio under separate Investment Subadvisory Agreements (the Subadvisory Agreements) with IICO.

For its services to Ivy VIP Securian Real Estate Securities, Securian AM receives a subadvisory fee from IICO, at an annual rate of 0.48% of the average daily net assets of Ivy VIP Securian Real Estate Securities. The subadvisory fee is accrued daily and payable in arrears on the last day of each calendar month.

For Ivy VIP Securian Real Estate Securities, through April 30, 2022, Securian AM has contractually agreed to reduce the subadvisory fee paid by IICO by an annual rate of 0.045% of average daily net assets.

From the management fee received with respect to each of the Managed Volatility Portfolios, IICO pays to Securian AM a subadvisory fee for each Managed Volatility Portfolio computed at an annual rate, accrued daily and payable in arrears on the last day of each calendar month, pursuant to the following schedule:

| <b>Net Portfolio Assets</b>                        | <b>Fee Payable to Securian AM<br/>as a Percentage of<br/>the Managed Volatility<br/>Portfolio's Average<br/>Net Assets</b> |
|--|--|
| Up to \$500 million . . . . .                      | 0.20%  |
| Over \$500 million and up to \$1 billion . . . . . | 0.17%  |
| Over \$1 billion . . . . .                         | 0.15%  |

Each Subadvisory Agreement between IICO and Securian AM will terminate automatically in the event of its assignment or upon the termination of the Management Agreement. In addition, each Subadvisory Agreement is terminable at any time, without penalty, by the Board, by a vote of a majority of the outstanding voting securities of the Portfolios, or by IICO on 60 days' written notice to Securian AM, or by Securian AM on 60 days' written notice to IICO.

Unless sooner terminated, each Subadvisory Agreement shall continue in effect from year to year if approved at least annually by a vote of the holders of the majority of the outstanding voting securities of the affected Portfolio(s) or by the Board, provided that such continuance also is approved annually by the vote of a majority of the Trustees who are not interested persons of any party to the Subadvisory Agreements, cast in person at a meeting called for the purpose of voting on such approval. A discussion regarding the basis of the approval of the Subadvisory Agreements is available in the Portfolios' Annual Report to Shareholders for the period ended December 31, 2020.

### ***Payments by the Portfolios for Management Services***

Under the Management Agreement, for IICO's management services, each Portfolio (other than the Pathfinder Portfolios) pays IICO a fee as described in the Prospectus. Every share class of a Portfolio has the same management fee. The management fee paid by a Portfolio is allocated among the classes of the Portfolio based on the classes' relative net assets.

The management fees (both including and excluding waivers, as discussed below) paid for the past three fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 for each of the Portfolios were:

|   | <b>2020</b>                 |                             | <b>2019</b>                 |                             | <b>2018</b>                 |                             |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | <b>Including<br/>Waiver</b> | <b>Excluding<br/>Waiver</b> | <b>Including<br/>Waiver</b> | <b>Excluding<br/>Waiver</b> | <b>Including<br/>Waiver</b> | <b>Excluding<br/>Waiver</b> |
| Ivy VIP Asset Strategy . . . . .                  |                             | \$4,993,898                 |                             | \$5,391,373                 | \$6,142,930                 | \$6,142,931                 |
| Ivy VIP Balanced . . . . .                        |                             | 2,218,294                   |                             | 2,304,300                   |                             | 2,433,898                   |
| Ivy VIP Core Equity . . . . .                     |                             | 4,773,956                   |                             | 4,814,859                   |                             | 4,256,693                   |
| Ivy VIP Corporate Bond . . . . .                  |                             | 2,993,063                   |                             | 2,637,936                   |                             | 2,577,871                   |
| Ivy VIP Energy . . . . .                          | \$ 257,244                  | 278,000                     |                             | 354,200                     |                             | 1,240,803                   |
| Ivy VIP Global Bond . . . . .                     | 0                           | 124,541                     | \$ 0                        | 134,818                     | 0                           | 138,444                     |
| Ivy VIP Global Equity Income . . . . .            |                             | 2,025,153                   |                             | 2,062,313                   |                             | 2,784,910                   |
| Ivy VIP Global Growth . . . . .                   |                             | 1,190,038                   |                             | 1,233,276                   |                             | 2,296,673                   |
| Ivy VIP Government Money Market . . . . .         | 250,233                     | 493,656                     |                             | 757,658                     |                             | 1,021,500                   |
| Ivy VIP Growth . . . . .                          |                             | 5,729,649                   |                             | 5,295,420                   |                             | 5,784,758                   |
| Ivy VIP High Income . . . . .                     |                             | 5,070,640                   |                             | 5,460,798                   |                             | 5,648,218                   |
| Ivy VIP International Core Equity . . . . .       |                             | 5,138,724                   |                             | 6,016,020                   |                             | 6,661,156                   |
| Ivy VIP Limited-Term Bond . . . . .               |                             | 2,066,155                   |                             | 2,620,515                   |                             | 2,567,021                   |
| Ivy VIP Mid Cap Growth . . . . .                  | 4,439,330                   | 4,736,541                   | 4,006,627                   | 4,248,460                   | 5,440,456                   | 5,744,576                   |
| Ivy VIP Natural Resources . . . . .               |                             | 603,655                     |                             | 756,407                     |                             | 987,165                     |
| Ivy VIP Science and Technology . . . . .          |                             | 4,926,794                   |                             | 4,441,484                   |                             | 5,387,576                   |
| Ivy VIP Securian Real Estate Securities . . . . . | 245,984                     | 273,659                     | 298,007                     | 331,118                     | 316,494                     | 351,660                     |
| Ivy VIP Small Cap Core . . . . .                  |                             | 1,366,483                   |                             | 1,649,233                   |                             | 2,151,628                   |



|   | 2020             |                  | 2019             |                  | 2018             |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
|   | Including Waiver | Excluding Waiver | Including Waiver | Excluding Waiver | Including Waiver | Excluding Waiver |
| Ivy VIP Small Cap Growth .....  | 3,120,538        | 3,230,914        | 3,224,525        | 3,300,772        | 3,009,209        | 3,082,357        |
| Ivy VIP Value .....   |                  | 3,009,308        |                  | 3,386,206        |                  | 3,330,160        |
| Ivy VIP Pathfinder Aggressive .....                                   |                  | =                |                  | =                |                  | =                |
| Ivy VIP Pathfinder Conservative .....                                 |                  | =                |                  | =                |                  | =                |
| Ivy VIP Pathfinder Moderate .....                                     |                  | =                |                  | =                |                  | =                |
| Ivy VIP Pathfinder Moderate - Managed Volatility .....                |                  | 1,308,771        |                  | 1,282,891        |                  | 1,208,526        |
| Ivy VIP Pathfinder Moderately Aggressive .....                        |                  | =                |                  | =                |                  | =                |
| Ivy VIP Pathfinder Moderately Aggressive - Managed Volatility .....   |                  | 178,106          |                  | 181,655          |                  | 184,088          |
| Ivy VIP Pathfinder Moderately Conservative .....                      |                  | =                |                  | =                |                  | =                |
| Ivy VIP Pathfinder Moderately Conservative - Managed Volatility ..... |                  | 160,513          |                  | 156,660          |                  | 149,754          |

In the above table, the terms “including” and “excluding” refer to the effect of a waiver. Where applicable, the amount shown “including” the waiver is the actual management fee paid with the waiver in effect, whereas the amount shown “excluding” the waiver is the management fee that would have been paid by the Portfolio had the waiver not been in effect. Pursuant to an agreement between IICO and the Trust, IICO has voluntarily agreed to waive and/or reimburse sufficient expenses of Ivy VIP Government Money Market to the extent necessary to maintain a yield of not less than zero. There is no guarantee that Ivy VIP Government Money Market will maintain such a yield. IICO may amend or terminate this voluntary waiver and/or reimbursement at any time without prior notice to shareholders.

Each Portfolio accrues and pays this fee daily.

The Management Agreement for each Portfolio permits IICO, or an affiliate of IICO, to enter into a separate agreement for accounting services (the Accounting Services Agreement) and a separate agreement for transfer agency services (the Transfer Agency Agreement) with the Trust for the Portfolio. Each Management Agreement contains detailed provisions as to the matters to be considered by the Board prior to approving any Accounting Services Agreement or Transfer Agency Agreement.

## Accounting Services

Under the Accounting Services Agreement entered into between the Trust and WISC, for each Portfolio, WISC provides the Portfolio with bookkeeping and accounting services and assistance and other administrative services, including maintenance of Portfolio records, pricing of Portfolio shares, preparation of prospectuses for existing shareholders, preparation of proxy statements and certain shareholder reports. A new Accounting Services Agreement, or amendments to the existing one, may be approved by the Board without shareholder approval.

### Accounting Services Fees

Under the Accounting Services Agreement for each Portfolio (other than the Pathfinder Portfolios and the Managed Volatility Portfolios) each Portfolio pays WISC a monthly fee shown in the following table, based on the average daily net assets during the prior month.

| Average Daily Net Assets for the Month | Monthly Fee |
|--|-------------|
| \$0 to \$10 million .....              | \$ 0        |
| \$10 to \$25 million .....             | \$ 958      |
| \$25 to \$50 million .....             | \$1,925     |
| \$50 to \$100 million .....            | \$2,958     |
| \$100 to \$200 million .....           | \$4,033     |
| \$200 to \$350 million .....           | \$5,267     |
| \$350 to \$550 million .....           | \$6,875     |

| <b>Average Daily Net Assets for the Month</b> | <b>Monthly Fee</b> |
|---|--------------------|
| \$550 to \$750 million .....                  | \$ 8,025           |
| \$750 to \$ 1.0 billion .....                 | \$10,133           |
| \$1.0 billion and over .....                  | \$12,375           |

Under the Accounting Services Agreement for each Pathfinder Portfolio and each Managed Volatility Portfolio, each Portfolio pays WISC a monthly fee shown in the following table, based on the average daily net assets during the prior month.

| <b>Average Daily Net Assets for the Month</b> | <b>Monthly Fee</b> |
|---|--------------------|
| \$0 to \$10 million .....                     | \$ 0               |
| \$10 to \$25 million .....                    | \$ 479.00          |
| \$25 to \$50 million .....                    | \$ 962.50          |
| \$50 to \$100 million .....                   | \$1,479.00         |
| \$100 to \$200 million .....                  | \$2,016.50         |
| \$200 to \$350 million .....                  | \$2,633.50         |
| \$350 to \$550 million .....                  | \$3,437.50         |
| \$550 to \$750 million .....                  | \$4,012.50         |
| \$750 to \$1.0 billion .....                  | \$5,066.50         |
| \$1.0 billion and over .....                  | \$6,187.50         |

Each Portfolio also pays a monthly fee at the annual rate of 0.01% or one basis point for the first \$1 billion of net assets with no fee charged for net assets in excess of \$1 billion. This fee may be voluntarily waived until the Portfolio's assets are at least \$10 million.

Fees paid to WISC for accounting services for the past three fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 by each of the Portfolios were:

|   | <b>2020</b>             |                         | <b>2019</b>             |                         | <b>2018</b>             |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | <b>Including Waiver</b> | <b>Excluding Waiver</b> | <b>Including Waiver</b> | <b>Excluding Waiver</b> | <b>Including Waiver</b> | <b>Excluding Waiver</b> |
| Ivy VIP Asset Strategy .....                  |                         | \$174,668               |                         | \$199,809               |                         | \$213,772               |
| Ivy VIP Balanced .....                        |                         | 95,033                  |                         | 96,285                  |                         | 109,085                 |
| Ivy VIP Core Equity .....                     |                         | 164,696                 |                         | 165,564                 |                         | 157,233                 |
| Ivy VIP Corporate Bond .....                  |                         | 159,754                 |                         | 144,936                 |                         | 141,357                 |
| Ivy VIP Energy .....                          |                         | 24,995                  |                         | 27,903                  |                         | 59,799                  |
| Ivy VIP Global Bond .....                     |                         | 13,501                  |                         | 13,657                  |                         | 13,717                  |
| Ivy VIP Global Equity Income .....            |                         | 92,161                  |                         | 92,815                  |                         | 112,536                 |
| Ivy VIP Global Growth .....                   |                         | 62,472                  |                         | 63,013                  |                         | 90,801                  |
| Ivy VIP Government Money Market .....         |                         | 62,203                  |                         | 82,394                  |                         | 92,393                  |
| Ivy VIP Growth .....                          |                         | 199,588                 |                         | 191,518                 |                         | 199,532                 |
| Ivy VIP High Income .....                     |                         | 205,219                 |                         | 213,797                 |                         | 216,534                 |
| Ivy VIP International Core Equity .....       |                         | 154,728                 |                         | 167,323                 |                         | 193,390                 |
| Ivy VIP Limited-Term Bond .....               |                         | 124,176                 |                         | 134,132                 |                         | 142,280                 |
| Ivy VIP Mid Cap Growth .....                  |                         | 150,405                 |                         | 134,944                 |                         | 172,252                 |
| Ivy VIP Natural Resources .....               |                         | 42,547                  |                         | 43,436                  |                         | 59,921                  |
| Ivy VIP Science and Technology .....          |                         | 153,526                 |                         | 140,778                 |                         | 159,435                 |
| Ivy VIP Securian Real Estate Securities ..... |                         | 26,146                  |                         | 26,802                  |                         | 22,411                  |
| Ivy VIP Small Cap Core .....                  |                         | 64,664                  |                         | 70,422                  |                         | 85,926                  |
| Ivy VIP Small Cap Growth .....                |                         | 118,157                 |                         | 123,909                 |                         | 110,896                 |
| Ivy VIP Value .....                           |                         | 125,666                 |                         | 131,184                 |                         | 129,774                 |
| Ivy VIP Pathfinder Aggressive .....           |                         | 23,717                  |                         | 24,190                  |                         | 24,789                  |
| Ivy VIP Pathfinder Conservative .....         |                         | 30,535                  |                         | 27,637                  |                         | 33,597                  |

|   | <u>2020</u>             |                         | <u>2019</u>             |                         | <u>2018</u>             |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | <u>Including Waiver</u> | <u>Excluding Waiver</u> | <u>Including Waiver</u> | <u>Excluding Waiver</u> | <u>Including Waiver</u> | <u>Excluding Waiver</u> |
| Ivy VIP Pathfinder Moderate. . . . .                                      |                         | <u>111,115</u>          |                         | <u>119,309</u>          |                         | <u>140,158</u>          |
| Ivy VIP Pathfinder Moderate - Managed Volatility . . . .                  |                         | <u>116,564</u>          |                         | <u>114,992</u>          |                         | <u>110,193</u>          |
| Ivy VIP Pathfinder Moderately Aggressive . . . . .                        |                         | <u>132,563</u>          |                         | <u>146,671</u>          |                         | <u>165,054</u>          |
| Ivy VIP Pathfinder Moderately Aggressive - Managed Volatility . . . . .   |                         | <u>26,688</u>           |                         | <u>26,864</u>           |                         | <u>27,195</u>           |
| Ivy VIP Pathfinder Moderately Conservative. . . . .                       |                         | <u>44,329</u>           |                         | <u>52,577</u>           |                         | <u>55,129</u>           |
| Ivy VIP Pathfinder Moderately Conservative - Managed Volatility . . . . . |                         | <u>25,802</u>           |                         | <u>25,597</u>           |                         | <u>25,218</u>           |

In the above table, the terms “including” and “excluding” refer to the effect of a waiver. Where applicable, the amount shown “including” the waiver is the actual accounting services fee paid with the waiver in effect, whereas the amount shown “excluding” the waiver is the accounting services fee that would have been paid by the Portfolio had the waiver not been in effect.

Since each Portfolio pays a management fee for investment supervision (except as otherwise noted herein) and an accounting services fee for accounting services as discussed above, IICO and WISC, respectively, pay all of their own expenses, except as otherwise noted in the respective agreements, in providing these services. IDI and its affiliates pay the Trustees and Trust officers who are affiliated with IICO and its affiliates. The Portfolios pay the fees and expenses of the Independent Trustees.

Each Portfolio pays all of its other expenses. These include, for each Portfolio, the costs of printing and mailing materials sent to shareholders, audit and outside legal fees, taxes, brokerage commissions, interest, insurance premiums, custodian fees, fees payable by the Portfolios under federal or other securities laws and to the Investment Company Institute, cost of processing and maintaining shareholder records, costs of systems or services used to price Portfolio securities and nonrecurring and extraordinary expenses, including litigation and indemnification relating to litigation.

## Transfer Agency Services

Under the Transfer Agency Agreement entered into between the Trust and WISC, for each Portfolio WISC performs transfer agency functions, including the maintenance of shareholder accounts which are the separate accounts of the PICs, recording the ownership, transfer, exchange and cancellation of ownership of shares, distribution of dividends and other distributions and payment of redemption proceeds, and the furnishing of related information to the Portfolio. A new Transfer Agency Agreement, or amendments to the existing one, may be approved by the Board without shareholder approval. WISC receives no fee for the services it provides under the Transfer Agency Agreement. However, the Trust pays certain out-of-pocket expenses of WISC, including but not limited to, 1) the charges of a sub-agent used by WISC in performing services under the Transfer Agency Agreement, and 2) the cost of providing prospectuses to certain Policy owners and holders (Policyowners).

Fees paid to WISC for such out-of-pocket expenses for the past three fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018 for each of the Portfolios were:

|   | <u>2020</u> | <u>2019</u>     | <u>2018</u>    |
|---|-------------|-----------------|----------------|
| Ivy VIP Asset Strategy <sup>1</sup> . . . . . | \$ <u>2</u> | <u>\$30,205</u> | <u>\$7,136</u> |
| Ivy VIP Balanced . . . . .                    | <u>21</u>   | <u>11,025</u>   | <u>2,663</u>   |
| Ivy VIP Core Equity <sup>2</sup> . . . . .    | <u>0</u>    | <u>0</u>        | <u>0</u>       |
| Ivy VIP Corporate Bond . . . . .              | <u>44</u>   | <u>15,845</u>   | <u>4,231</u>   |
| Ivy VIP Energy <sup>3</sup> . . . . .         | <u>10</u>   | <u>3,763</u>    | <u>1,114</u>   |
| Ivy VIP Global Bond . . . . .                 | <u>118</u>  | <u>2,710</u>    | <u>244</u>     |
| Ivy VIP Global Equity Income . . . . .        | <u>16</u>   | <u>9,430</u>    | <u>2,949</u>   |
| Ivy VIP Global Growth <sup>4</sup> . . . . .  | <u>0</u>    | <u>0</u>        | <u>0</u>       |

|   | <u>2020</u>   | <u>2019</u> | <u>2018</u>  |
|---|---------------|-------------|--------------|
| Ivy VIP Government Money Market                                 | <u>0</u>      | 7,376       | 2,075        |
| Ivy VIP Growth  | <u>51,105</u> | 22,039      | 6,093        |
| Ivy VIP High Income <sup>5</sup>                                | <u>0</u>      | 26,865      | 5,628        |
| Ivy VIP International Core Equity                               | <u>10</u>     | 18,774      | 6,005        |
| Ivy VIP Limited-Term Bond                                       | <u>0</u>      | 13,342      | 4,003        |
| Ivy VIP Mid Cap Growth <sup>6</sup>                             | <u>0</u>      | 0           | 0            |
| Ivy VIP Natural Resources                                       | <u>0</u>      | 6,484       | 1,837        |
| Ivy VIP Science and Technology <sup>7</sup>                     | <u>46</u>     | 17,815      | 18,635       |
| Ivy VIP Securitan Real Estate Securities                        | <u>3</u>      | 3,804       | 181          |
| Ivy VIP Small Cap Core  | <u>3</u>      | 7,091       | 1,801        |
| Ivy VIP Small Cap Growth <sup>8</sup>                           | <u>0</u>      | <u>0</u>    | <u>1,030</u> |
| Ivy VIP Value   | <u>38</u>     | 14,204      | 3,801        |
| Ivy VIP Pathfinder Aggressive                                   | <u>0</u>      | 3,270       | 631          |
| Ivy VIP Pathfinder Conservative                                 | <u>0</u>      | 934         | 754          |
| Ivy VIP Pathfinder Moderate                                     | <u>0</u>      | 18,724      | 5,840        |
| Ivy VIP Pathfinder Moderate - Managed Volatility                | <u>15</u>     | 16,110      | 4,586        |
| Ivy VIP Pathfinder Moderately Aggressive                        | <u>0</u>      | 21,965      | 7,233        |
| Ivy VIP Pathfinder Moderately Aggressive - Managed Volatility   | <u>2</u>      | 3,653       | 709          |
| Ivy VIP Pathfinder Moderately Conservative                      | <u>0</u>      | 6,874       | 1,751        |
| Ivy VIP Pathfinder Moderately Conservative - Managed Volatility | <u>1</u>      | 3,468       | 570          |

- 1 The following amounts of out-of-pocket expenses would have been paid by Ivy VIP Asset Strategy if a waiver had not been in effect: 2019, \$30,207; and 2018, \$7,152.
- 2 The following amounts of out-of-pocket expenses would have been paid by Ivy VIP Core Equity if a waiver had not been in effect: 2020, \$50; 2019, \$20,300; and 2018, \$4,793.
- 3 The following amounts of out-of-pocket expenses would have been paid by Ivy VIP Energy if a waiver had not been in effect: 2018, \$1,128.
- 4 The following amounts of out-of-pocket expenses would have been paid by Ivy VIP Global Growth if a waiver had not been in effect: 2020, \$9; 2019, \$6,866; and 2018, \$1,920.
- 5 The following amounts of out-of-pocket expenses would have been paid by Ivy VIP High Income if a waiver had not been in effect: 2018, \$5,857.
- 6 The following amounts of out-of-pocket expenses would have been paid by Ivy VIP Mid Cap Growth if a waiver had not been in effect: 2020, \$45; 2019, \$17,239; and 2018, \$5,383.
- 7 The following amounts of out-of-pocket expenses would have been paid by Ivy VIP Science and Technology if a waiver had not been in effect: 2018, \$18,650.
- 8 The following amounts of out-of-pocket expenses would have been paid by Ivy VIP Small Cap Growth if a waiver had not been in effect: 2019, \$14,194; and 2018, \$2,679.

## Distribution Services

Pursuant to the Principal Underwriting Agreement entered into between IDI and the Trust, IDI offers shares of the Portfolios to PICs and also may engage in marketing and other promotional activities intended to result in the inclusion of shares of the Trust as investment options under variable life insurance and annuity products. Except as noted, for the fiscal year ended December 31, 2020, IDI did not receive any other compensation from the Portfolios for acting as underwriter.

## Service Plan

Under a Service Plan (Plan) adopted by the Trust pursuant to Rule 12b-1 under the 1940 Act, for Class II shares, each Portfolio (other than Ivy VIP Government Money Market, the Pathfinder Portfolios and the Managed Volatility Portfolios)

may pay IDI a fee not to exceed 0.25% of the Class II shares' average annual net assets, paid daily, to compensate IDI and unaffiliated third parties for their costs and expenses in connection with the provision of personal services to Policyowners.

The Plan permits IDI to be compensated for amounts it expends in compensating, training and supporting registered financial advisors, sales managers and/or other appropriate personnel in providing personal services to Policyowners and/or maintenance of Policyowner accounts; increasing services provided to Policyowners by office personnel; engaging in other activities useful in providing personal service to Policyowners; and in compensating broker-dealers who may regularly sell Policies, and other third parties, for providing shareholder services and/or maintenance of Policyowner accounts.

The only Trustees or interested persons, as defined in the 1940 Act, of the Trust who have a direct or indirect financial interest in the operation of the Plan are the officers and Trustees who also are officers of either IDI or its affiliate(s) or who are shareholders of WDR, the indirect parent company of IDI. The Plan is anticipated to benefit each Portfolio and the Policyowners through IDI's activities to provide directly, or indirectly, personal services to the Policyowners and thereby promote the maintenance of their accounts with respect to investment in the Portfolio. The Trust anticipates that Policyowners investing in Class II shares of a Portfolio may benefit to the extent that IDI's activities are successful in increasing the assets of the Portfolio through reduced redemptions and reducing a Policyowner's share of Portfolio expenses. In addition, the Trust anticipates that the revenues from the Plan will provide IDI with greater resources to make the financial commitments necessary to continue to improve the quality and level of services to the Trust and Policyowners.

The Plan was approved by the Board, including the Independent Trustees (who have no direct or indirect financial interest in the operations of the Plan or any agreement referred to in the Plan). The Plan was also approved as to each Portfolio by the shareholders of the Portfolio.

Among other things, the Plan provides that (1) IDI will provide to the Trustees at least quarterly, and the Trustees will review, a report of amounts expended under the Plan and the purposes for which such expenditures were made, (2) the Plan will continue in effect only so long as it is approved at least annually, and any material amendments thereto will be effective only if approved by the Trustees including the Independent Trustees acting in person at a meeting called for that purpose, (3) payments under the Plan may not be materially increased without the vote of the holders of a majority of the outstanding shares of the Portfolio, and (4) while the Plan remains in effect, the selection and nomination of the Trustees who are Independent Trustees will be committed to the discretion of the Independent Trustees.

During the fiscal year ended December 31, 2020, each Portfolio paid the following amount under the Plan:

|   | <b>Including<br/>Waiver</b> | <b>Excluding<br/>Waiver</b> |
|---|-----------------------------|-----------------------------|
| Ivy VIP Asset Strategy .....            |                             | \$1,782,374                 |
| Ivy VIP Balanced .....                  |                             | 792,253                     |
| Ivy VIP Core Equity .....               | \$1,375,288                 | 1,704,984                   |
| Ivy VIP Corporate Bond .....            |                             | 1,575,302                   |
| Ivy VIP Energy .....                    |                             | 81,401                      |
| Ivy VIP Global Bond .....               |                             | 49,921                      |
| Ivy VIP Global Equity Income .....      |                             | 723,269                     |
| Ivy VIP Global Growth .....             | 213,709                     | 350,012                     |
| Ivy VIP Government Money Market .....   |                             | -                           |
| Ivy VIP Growth .....                    |                             | 2,046,304                   |
| Ivy VIP High Income .....               |                             | 2,009,557                   |
| Ivy VIP International Core Equity ..... |                             | 1,511,393                   |
| Ivy VIP Limited-Term Bond .....         |                             | 1,033,080                   |
| Ivy VIP Mid Cap Growth .....            | 839,297                     | 842,758                     |
| Ivy VIP Natural Resources .....         |                             | 177,547                     |
| Ivy VIP Pathfinder Aggressive .....     |                             | -                           |



|   | Including<br>Waiver | Excluding<br>Waiver |
|---|---------------------|---------------------|
| Ivy VIP Pathfinder <u>Conservative</u> . . . . .                          |                     | —                   |
| Ivy VIP Pathfinder Moderate . . . . .                                     |                     | —                   |
| Ivy VIP Pathfinder Moderate - Managed Volatility . . . . .                |                     | —                   |
| Ivy VIP Pathfinder Moderately Aggressive . . . . .                        |                     | —                   |
| Ivy VIP Pathfinder Moderately Aggressive - Managed Volatility . . . . .   |                     | —                   |
| Ivy VIP Pathfinder Moderately Conservative . . . . .                      |                     | —                   |
| Ivy VIP Pathfinder Moderately Conservative - Managed Volatility . . . . . |                     | —                   |
| <u>Ivy VIP Science and Technology</u> . . . . .                           |                     | 1,445,175           |
| <u>Ivy VIP Securitan Real Estate Securities</u> . . . . .                 |                     | 75,922              |
| <u>Ivy VIP Small Cap Core</u> . . . . .                                   |                     | 401,909             |
| <u>Ivy VIP Small Cap Growth</u> . . . . .                                 | 812,822             | 816,013             |
| <u>Ivy VIP Value</u> . . . . .  |                     | 1,074,753           |

In the above table, the terms “including” and “excluding” refer to the effect of a waiver. Where applicable, the amount shown “including” the waiver is the actual service plan fee paid with the waiver in effect, whereas the amount shown “excluding” the waiver is the service plan fee that would have been paid by the Portfolio had the waiver not been in effect.

## Custodial and Auditing Services

The Portfolios' custodian is The Bank of New York Mellon (BNYM), and its address is One Wall Street, New York, New York. In general, the custodian is responsible for holding the Portfolios' cash and securities. Deloitte & Touche LLP, located at 1100 Walnut Street, Suite 3300, Kansas City, Missouri, the Portfolios' Independent Registered Public Accounting Firm for its most recent fiscal year, audited the financial statements and financial highlights of each Portfolio. The Board has selected PricewaterhouseCoopers LLP, located at 2001 Market Street, Philadelphia, PA 19103, to serve as the current Independent Registered Public Accounting Firm for the Portfolios.

## Securities Lending

The Board has approved certain of the Portfolios' participation in a securities lending program, whereby a participating Portfolio lends certain of its portfolio securities to borrowers to receive additional income and increase the rate of return of its portfolio. BNYM serves as the securities lending agent for the program. As securities lending agent, BNYM is responsible for (i) selecting borrowers from a pre-approved list of borrowers and executing a securities lending agreement as agent on behalf of a Portfolio with each such borrower; (ii) negotiating the terms of securities loans, including the amount of fees or rebates; (iii) receiving and investing collateral in connection with any loaned securities in pre-approved investment vehicles; (iv) monitoring the daily value of the loaned securities and demanding the payment of additional collateral, as necessary; (v) terminating securities loans and arranging for the return of loaned securities and collateral at such termination; and (vi) in the event of default by a borrower with respect to any securities loan, using the collateral or the proceeds of the liquidation of collateral to purchase replacement securities. The following table shows the dollar

amounts of income and fees/compensation related to the securities lending activities of the Portfolios during the fiscal year ended December 31, 2020:

| <b>Securities Lending Activities</b>  | <b>Ivy VIP<br/>Asset<br/>Strategy</b> | <b>Ivy VIP<br/>Balanced</b> | <b>Ivy VIP Core<br/>Equity</b> | <b>Ivy VIP<br/>Corporate<br/>Bond</b> |
|---|---------------------------------------|-----------------------------|--------------------------------|---------------------------------------|
| Gross income from securities lending activities . . . . .   | \$ <u>16,442</u>                      | \$ <u>3,249</u>             | \$ <u>-*</u>                   | \$ <u>12,743</u>                      |
| Securities lending income paid to BNYM for services as<br>securities lending agent . . . . .        | <u>4,453</u>                          | <u>1,182</u>                | <u>-*</u>                      | <u>1,780</u>                          |
| Cash collateral management fees not included in securities<br>lending income paid to BNYM . . . . . | 0                                     | 0                           | 0                              | 0                                     |
| Administrative fees not included in securities lending income<br>paid to BNYM . . . . .             | 0                                     | 0                           | 0                              | 0                                     |
| Indemnification fees not included in securities lending income<br>paid to BNYM . . . . .            | 0                                     | 0                           | 0                              | 0                                     |
| Rebates paid to (received from) borrowers . . . . .   | ( <u>39,225</u> )                     | ( <u>11,528</u> )           | <u>0</u>                       | ( <u>9,517</u> )                      |
| Other fees not included in securities lending income paid to<br>BNYM . . . . .                      | 0                                     | 0                           | 0                              | 0                                     |
| Aggregate fees/compensation for securities lending activities . . . . .                             | ( <u>34,772</u> )                     | ( <u>10,346</u> )           | <u>-*</u>                      | ( <u>7,737</u> )                      |
| <b>Net income from securities lending activities . . . . .</b>                                      | <b>\$<u>51,214</u></b>                | <b>\$<u>13,595</u></b>      | <b>\$<u>-*</u></b>             | <b>\$<u>20,480</u></b>                |

\* Not shown due to rounding.

| <b>Securities Lending Activities</b>  | <b>Ivy VIP Energy</b> | <b>Ivy VIP<br/>Global Bond</b> | <b>Ivy VIP<br/>Global Equity<br/>Income</b> | <b>Ivy VIP<br/>Global<br/>Growth</b> |
|---|-----------------------|--------------------------------|---|--------------------------------------|
| Gross income from securities lending activities . . . . .   | \$ <u>648</u>         | \$ <u>1,087</u>                | \$ <u>7,564</u>                             | \$ <u>277</u>                        |
| Securities lending income paid to BNYM for services as<br>securities lending agent . . . . .        | <u>530</u>            | <u>321</u>                     | <u>3,130</u>                                | <u>172</u>                           |
| Cash collateral management fees not included in<br>securities lending income paid to BNYM . . . . . | 0                     | 0                              | 0   | 0                                    |
| Administrative fees not included in securities lending<br>income paid to BNYM . . . . .             | 0                     | 0                              | 0   | 0                                    |
| Indemnification fees not included in securities lending<br>income paid to BNYM . . . . .            | 0                     | 0                              | 0   | 0                                    |
| Rebates (received from) borrowers . . . . .   | ( <u>5,985</u> )      | ( <u>2,930</u> )               | ( <u>31,564</u> )                           | ( <u>1,870</u> )                     |
| Other fees not included in securities lending income<br>paid to BNYM . . . . .                      | 0                     | 0                              | 0   | 0                                    |
| Aggregate fees/compensation for securities lending<br>activities . . . . .                          | ( <u>5,455</u> )      | ( <u>2,609</u> )               | ( <u>28,434</u> )                           | ( <u>1,698</u> )                     |
| <b>Net income from securities lending activities . . . . .</b>                                      | <b>\$<u>6,103</u></b> | <b>\$<u>3,696</u></b>          | <b>\$<u>35,998</u></b>                      | <b>\$<u>1,975</u></b>                |

| <b>Securities Lending Activities</b>   | <b>Ivy VIP Growth</b> | <b>Ivy VIP High Income</b> | <b>Ivy VIP International Core Equity</b> | <b>Ivy VIP Limited-Term Bond</b> |
|--|-----------------------|----------------------------|--|----------------------------------|
| Gross income from securities lending activities . . . . .  | \$ <u>44</u>          | \$ <u>65,203</u>           | \$ <u>21,359</u>                         | \$ <u>2,579</u>                  |
| Securities lending income paid to BNYM for services as securities lending agent . . . . .        | <u>3</u>              | <u>12,845</u>              | <u>6,303</u>                             | <u>303</u>                       |
| Cash collateral management fees not included in securities lending income paid to BNYM . . . . . | 0                     | 0                          | 0  | 0                                |
| Administrative fees not included in securities lending income paid to BNYM . . . . .             | 0                     | 0                          | 0  | 0                                |
| Indemnification fees not included in securities lending income paid to BNYM . . . . .            | 0                     | 0                          | 0  | 0                                |
| Rebates paid to (received from) borrowers . . . . .  | <u>1</u>              | <u>(95,374)</u>            | <u>(57,432)</u>                          | <u>(1,216)</u>                   |
| Other fees not included in securities lending income paid to BNYM . . . . .                      | 0                     | 0                          | 0  | 0                                |
| Aggregate fees/compensation for securities lending activities . . . . .                          | <u>4</u>              | <u>(82,529)</u>            | <u>(51,129)</u>                          | <u>(913)</u>                     |
| <b>Net income from securities lending activities . . . . .</b>                                   | <b>\$ <u>40</u></b>   | <b>\$ <u>147,732</u></b>   | <b>\$ <u>72,488</u></b>                  | <b>\$ <u>3,492</u></b>           |

| <b>Securities Lending Activities</b>   | <b>Ivy VIP Mid Cap Growth</b> | <b>Ivy VIP Natural Resources</b> | <b>Ivy VIP Science and Technology</b> | <b>Ivy VIP Small Cap Core</b> |
|--|-------------------------------|----------------------------------|---------------------------------------|-------------------------------|
| Gross income from securities lending activities . . . . .  | \$ <u>10,548</u>              | \$ <u>2,353</u>                  | \$ <u>11,923</u>                      | \$ <u>7,990</u>               |
| Securities lending income paid to BNYM for services as securities lending agent . . . . .        | <u>2,492</u>                  | <u>183</u>                       | <u>3,579</u>                          | <u>196</u>                    |
| Cash collateral management fees not included in securities lending income paid to BNYM . . . . . | 0                             | 0                                | 0                                     | 0                             |
| Administrative fees not included in securities lending income paid to BNYM . . . . .             | 0                             | 0                                | 0                                     | 0                             |
| Indemnification fees not included in securities lending income paid to BNYM . . . . .            | 0                             | 0                                | 0                                     | 0                             |
| Rebates paid to (received from) borrowers . . . . .  | <u>(20,606)</u>               | <u>66</u>                        | <u>(32,818)</u>                       | <u>5,540</u>                  |
| Other fees not included in securities lending income paid to BNYM . . . . .                      | 0                             | 0                                | 0                                     | 0                             |
| Aggregate fees/compensation for securities lending activities . . . . .                          | <u>(18,114)</u>               | <u>249</u>                       | <u>(29,239)</u>                       | <u>5,736</u>                  |
| <b>Net income from securities lending activities . . . . .</b>                                   | <b>\$ <u>28,662</u></b>       | <b>\$ <u>2,104</u></b>           | <b>\$ <u>41,162</u></b>               | <b>\$ <u>2,254</u></b>        |

| <b>Securities Lending Activities</b>   | <b>Ivy VIP Small Cap Growth</b> | <b>Ivy VIP Value</b>    |
|--|---------------------------------|-------------------------|
| Gross income from securities lending activities . . . . .  | \$ <u>17,873</u>                | \$ <u>31,580</u>        |
| Securities lending income paid to BNYM for services as securities lending agent . . . . .        | <u>1,653</u>                    | <u>3,323</u>            |
| Cash collateral management fees not included in securities lending income paid to BNYM . . . . . | 0                               | 0                       |
| Administrative fees not included in securities lending income paid to BNYM . . . . .             | 0                               | 0                       |
| Indemnification fees not included in securities lending income paid to BNYM . . . . .            | 0                               | 0                       |
| Rebates (received from) borrowers . . . . .  | <u>(2,801)</u>                  | <u>(9,968)</u>          |
| Other fees not included in securities lending income paid to BNYM . . . . .                      | 0                               | 0                       |
| Aggregate fees/compensation for securities lending activities . . . . .                          | <u>(1,148)</u>                  | <u>(6,645)</u>          |
| <b>Net income from securities lending activities . . . . .</b>                                   | <b>\$ <u>19,021</u></b>         | <b>\$ <u>38,225</u></b> |

## PORTFOLIO MANAGERS

### Portfolio Managers Employed by IICO

The following tables provide information relating to the portfolio managers of the Portfolios as of December 31, 2020:

#### Erik R. Becker—Ivy VIP Core Equity

|   | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|---------------------------------------|--|-------------------|
| Number of Accounts Managed . . . . .                                      | 2                                     | 1                                      | 2                 |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .     | 0                                     | 0                                      | 0                 |
| Assets Managed (in millions) . . . . .                                    | \$5,284.3                             | \$11.0                                 | \$273.2           |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . . | \$ 0                                  | \$ 0                                   | \$ 0              |

#### Mark G. Beischel—Ivy VIP Balanced Ivy VIP Corporate Bond Ivy VIP Global Bond

|   | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|---------------------------------------|--|-------------------|
| Number of Accounts Managed . . . . .                                      | 10*                                   | 0                                      | 0                 |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .     | 0                                     | 0                                      | 0                 |
| Assets Managed (in millions) . . . . .                                    | \$6,148.5                             | \$0                                    | \$0               |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . . | \$ 0                                  | \$0                                    | \$0               |

\* For two of these accounts, Mr. Beischel is responsible for only a portion of the assets managed.

#### Nathan A. Brown—Ivy VIP Mid Cap Growth

|   | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|---------------------------------------|--|-------------------|
| Number of Accounts Managed . . . . .                                      | 5                                     | 1                                      | 5                 |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .     | 0                                     | 0                                      | 0                 |
| Assets Managed (in millions) . . . . .                                    | \$10,401.0                            | \$33.1                                 | \$136.9           |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . . | \$ 0                                  | \$ 0                                   | \$ 0              |

#### F. Chace Brundige—Ivy VIP Asset Strategy Ivy VIP Pathfinder Aggressive Ivy VIP Pathfinder Moderately Aggressive Ivy VIP Pathfinder Moderate Ivy VIP Pathfinder Moderately Conservative Ivy VIP Pathfinder Conservative Ivy VIP Pathfinder Moderate – Managed Volatility

**Ivy VIP Pathfinder Moderately  
Aggressive – Managed Volatility  
Ivy VIP Pathfinder Moderately  
Conservative – Managed Volatility**

|   | <b>Registered<br/>Investment<br/>Companies</b> | <b>Other Pooled<br/>Investment<br/>Vehicles</b> | <b>Other<br/>Accounts</b> |
|---|--|---|---------------------------|
| Number of Accounts Managed . . . . .                                      | 22*  | 0   | 0                         |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .     | 0  | 0   | 0                         |
| Assets Managed (in millions) . . . . .                                    | <u>\$7,829.7</u>                               | \$0   | \$0                       |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . . | \$ 0   | \$0   | \$0                       |

\* For four of these accounts, Mr. Brundige is responsible for only a portion of the assets managed.

**Kenneth G. Gau—Ivy VIP Small Cap Core**

|   | <b>Registered<br/>Investment<br/>Companies</b> | <b>Other Pooled<br/>Investment<br/>Vehicles</b> | <b>Other<br/>Accounts</b> |
|---|--|---|---------------------------|
| Number of Accounts Managed . . . . .                                      | 2  | 1   | 0                         |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .     | 0  | 0   | 0                         |
| Assets Managed (in millions) . . . . .                                    | <u>\$860.1</u>                                 | <u>\$5.0</u>                                    | \$0                       |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . . | \$ 0   | \$ 0  | \$0                       |

**David P. Ginther—Ivy VIP Energy  
Ivy VIP Natural Resources**

|   | <b>Registered<br/>Investment<br/>Companies</b> | <b>Other Pooled<br/>Investment<br/>Vehicles</b> | <b>Other<br/>Accounts</b> |
|---|--|---|---------------------------|
| Number of Accounts Managed . . . . .                                      | 4  | 0   | 1                         |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .     | 0  | 0   | 0                         |
| Assets Managed (in millions) . . . . .                                    | <u>\$512.0</u>                                 | \$0   | <u>\$0.1</u>              |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . . | \$ 0   | \$0   | \$ 0                      |

**Chad A. Gunther—Ivy VIP High Income**

|   | <b>Registered<br/>Investment<br/>Companies</b> | <b>Other Pooled<br/>Investment<br/>Vehicles</b> | <b>Other<br/>Accounts</b> |
|---|--|---|---------------------------|
| Number of Accounts Managed . . . . .                                      | 5*   | 0   | 0                         |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .     | 0  | 0   | 0                         |
| Assets Managed (in millions) . . . . .                                    | <u>\$5,466.1</u>                               | \$0   | \$0                       |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . . | \$ 0   | \$0   | \$0                       |

\* Two of these accounts are multi-manager accounts. The Assets Managed (in millions) represents the portion of the accounts managed by Mr. Gunther.



### Bradley P. Halverson—Ivy VIP Small Cap Growth

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                       | 3                                     | 2                                      | 7                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| ■ Assets Managed (in millions) .....                                   | <u>\$3,713.5</u>                      | <u>\$71.6</u>                          | <u>\$383.0</u>    |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$ 0                                   | \$ 0              |

### Matthew A. Hekman—Ivy VIP Balanced

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                       | 2                                     | 0                                      | 0                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| ■ Assets Managed (in millions) .....                                   | <u>\$2,877.3</u>                      | <u>\$0</u>                             | <u>\$0</u>        |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$0                                    | \$0               |

### Bradley M. Klapmeyer—Ivy VIP Growth

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| ■ Number of Accounts Managed .....                                     | 3                                     | 1                                      | <u>6</u>          |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| ■ Assets Managed (in millions) .....                                   | <u>\$7,171.3</u>                      | <u>\$18.2</u>                          | <u>\$293.0</u>    |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$ 0                                   | \$ 0              |

### John C. Maxwell—Ivy VIP International Core Equity

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| ■ Number of Accounts Managed .....                                     | 3                                     | 1                                      | <u>2</u>          |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| ■ Assets Managed (in millions) .....                                   | <u>\$3,585.7</u>                      | <u>\$182.0</u>                         | <u>\$27.0</u>     |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$ 0                                   | \$ 0              |

### Kenneth G. McQuade—Ivy VIP Small Cap Growth

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                       | 3                                     | 2                                      | 7                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| ■ Assets Managed (in millions) .....                                   | <u>\$3,713.5</u>                      | <u>\$71.6</u>                          | <u>\$383.0</u>    |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$ 0                                   | \$ 0              |

### Timothy J. Miller—Ivy VIP Small Cap Growth

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                       | 3                                     | 2                                      | 7                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| ■ Assets Managed (in millions) .....                                   | <u>\$3,713.5</u>                      | <u>\$71.6</u>                          | <u>\$383.0</u>    |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$ 0                                   | \$ 0              |

### Catherine L. Murray—Ivy VIP International Core Equity

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| ■ Number of Accounts Managed .....                                     | 2                                     | 1                                      | 2                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| ■ Assets Managed (in millions) .....                                   | <u>\$3,399.5</u>                      | <u>\$182.0</u>                         | <u>\$27.0</u>     |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$ 0                                   | \$ 0              |

### Robert E. Nightingale—Ivy VIP Global Equity Income

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                       | 3*                                    | 0                                      | 0                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| ■ Assets Managed (in millions) .....                                   | <u>\$1,055.9</u>                      | <u>\$0</u>                             | <u>\$0</u>        |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$0                                    | \$0               |

\* One of these accounts is a multi-manager account. The Assets Managed (in millions) amount represents the portion of the account managed by Mr. Nightingale.

### Matthew T. Norris—Ivy VIP Value

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                       | 2                                     | 0                                      | 2                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| ■ Assets Managed (in millions) .....                                   | <u>\$1,687.2</u>                      | <u>\$0</u>                             | <u>\$43.2</u>     |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$0                                    | \$ 0              |

### Christopher J. Parker—Ivy VIP Global Equity Income

|   | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                    | 3*                                    | 0                                      | 0                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ... | 0                                     | 0                                      | 0                 |

|   | <b>Registered<br/>Investment<br/>Companies</b> | <b>Other Pooled<br/>Investment<br/>Vehicles</b> | <b>Other<br/>Accounts</b> |
|---|--|---|---------------------------|
| Assets Managed (in millions) . . . . .                                  | <u>\$1,055.9</u>                               | \$0   | \$0                       |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . | \$ 0   | \$0   | \$0                       |

\* One of these accounts is a multi-manager account. The Assets Managed (in millions) amount represents the portion of the account managed by Mr. Parker.

**Susan K. Regan—Ivy VIP Balanced**  
**Ivy VIP Corporate Bond**  
**Ivy VIP Limited-Term Bond**

|   | <b>Registered<br/>Investment<br/>Companies</b> | <b>Other Pooled<br/>Investment<br/>Vehicles</b> | <b>Other<br/>Accounts</b> |
|---|--|---|---------------------------|
| Number of Accounts Managed . . . . .                                    | 8  | 0   | 3                         |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .   | 0  | 0   | 0                         |
| Assets Managed (in millions) . . . . .                                  | <u>\$6,505.5</u>                               | \$0   | <u>\$303.0</u>            |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . | \$ 0   | \$0   | \$ 0                      |

**Sarah C. Ross—Ivy VIP Global Growth**

|   | <b>Registered<br/>Investment<br/>Companies</b> | <b>Other Pooled<br/>Investment<br/>Vehicles</b> | <b>Other<br/>Accounts</b> |
|---|--|---|---------------------------|
| Number of Accounts Managed . . . . .                                    | 2  | 0   | 0                         |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .   | 0  | 0   | 0                         |
| Assets Managed (in millions) . . . . .                                  | <u>\$1,191.0</u>                               | \$0   | \$0                       |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . | \$ 0   | \$0   | \$0                       |

**Kimberly A. Scott—Ivy VIP Mid Cap Growth**

|   | <b>Registered<br/>Investment<br/>Companies</b> | <b>Other Pooled<br/>Investment<br/>Vehicles</b> | <b>Other<br/>Accounts</b> |
|---|--|---|---------------------------|
| Number of Accounts Managed . . . . .                                    | 5  | 1   | 4                         |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .   | 0  | 0   | 0                         |
| Assets Managed (in millions) . . . . .                                  | <u>\$10,401.0</u>                              | <u>\$33.1</u>                                   | <u>\$130.4</u>            |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . | \$ 0   | \$ 0  | \$ 0                      |

**Zachary H. Shafran—Ivy VIP Science and Technology**

|   | <b>Registered<br/>Investment<br/>Companies</b> | <b>Other Pooled<br/>Investment<br/>Vehicles</b> | <b>Other<br/>Accounts</b> |
|---|--|---|---------------------------|
| Number of Accounts Managed . . . . .                                    | 2  | 0   | 1                         |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .   | 0  | 0   | 0                         |
| Assets Managed (in millions) . . . . .                                  | <u>\$10,537.4</u>                              | \$0   | <u>\$1.2</u>              |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . | \$ 0   | \$0   | \$ 0                      |

## Mira Stevovich—Ivy VIP Government Money Market

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                       | 3                                     | 0                                      | 3                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| ■ Assets Managed (in millions) .....                                   | <u>\$1,975.3</u>                      | \$0                                    | <u>\$303.0</u>    |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$0                                    | \$ 0              |

## W. Jeffery Surles—Ivy VIP Asset Strategy

Ivy VIP Pathfinder Aggressive  
 Ivy VIP Pathfinder Moderately  
 Aggressive  
 Ivy VIP Pathfinder Moderate  
 Ivy VIP Pathfinder Moderately  
 Conservative  
 Ivy VIP Pathfinder Conservative  
 Ivy VIP Pathfinder Moderate –  
 Managed Volatility  
 Ivy VIP Pathfinder Moderately  
 Aggressive – Managed Volatility  
 Ivy VIP Pathfinder Moderately  
 Conservative – Managed Volatility

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| ■ Number of Accounts Managed .....                                     | 22*                                   | 0                                      | 0                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| ■ Assets Managed (in millions) .....                                   | <u>\$7,829.7</u>                      | \$0                                    | \$0               |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$0                                    | \$0               |

\* For four of these accounts, Mr. Surles is responsible for only a portion of the assets managed.

## Bradley J. Warden—Ivy VIP Science and Technology

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                       | 2                                     | 0                                      | 2                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| ■ Assets Managed (in millions) .....                                   | <u>\$10,537.4</u>                     | \$0                                    | <u>\$8.4</u>      |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$0                                    | \$ 0              |

## Michael T. Wolverton—Ivy VIP Energy

Ivy VIP Natural Resources

|   | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|---|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                    | 4                                     | 0                                      | 1                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ... | 0                                     | 0                                      | 0                 |

|   | <b>Registered<br/>Investment<br/>Companies</b> | <b>Other Pooled<br/>Investment<br/>Vehicles</b> | <b>Other<br/>Accounts</b> |
|---|--|---|---------------------------|
| Assets Managed (in millions) . . . . .                                    | \$512.0  | \$0   | \$0.1                     |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . . | \$ 0   | \$0   | \$ 0                      |

**Aaron D. Young—Ivy VIP Pathfinder Aggressive  
Ivy VIP Pathfinder Moderately  
Aggressive  
Ivy VIP Pathfinder Moderate  
Ivy VIP Pathfinder Moderately  
Conservative  
Ivy VIP Pathfinder Conservative  
Ivy VIP Pathfinder Moderate –  
Managed Volatility  
Ivy VIP Pathfinder Moderately  
Aggressive – Managed Volatility  
Ivy VIP Pathfinder Moderately  
Conservative – Managed Volatility**

|   | <b>Registered<br/>Investment<br/>Companies</b> | <b>Other Pooled<br/>Investment<br/>Vehicles</b> | <b>Other<br/>Accounts</b> |
|---|--|---|---------------------------|
| Number of Accounts Managed . . . . .                                      | 19*  | 0   | 0                         |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .     | 0  | 0   | 0                         |
| Assets Managed (in millions) . . . . .                                    | \$3,427.1                                      | \$0   | \$0                       |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . . | \$ 0   | \$0   | \$0                       |

\* For three of these accounts, Mr. Young is responsible for only a portion of the assets managed.

## Conflicts of Interest

Actual or apparent conflicts of interest may arise when a portfolio manager has day-to-day management responsibilities with respect to more than one fund or account, such as the following:

- The management of multiple funds and/or other accounts may result in a portfolio manager devoting unequal time and attention to the management of each fund and/or other account. IICO seeks to manage such competing interests for the time and attention of portfolio managers by having a portfolio manager focus on a particular investment discipline. Most other accounts managed by a portfolio manager are managed using the same investment models that are used in connection with the management of the funds.
- The portfolio manager might execute transactions for another fund or account that may adversely impact the value of securities held by the fund. Securities selected for funds or accounts other than the fund might outperform the securities selected for the fund. IICO seeks to manage this potential conflict by requiring all portfolio transactions to be allocated pursuant to IICO's Allocation Procedures.

IICO and the Trust have adopted certain compliance procedures, including the Code of Ethics, which are designed to address certain types of conflicts. However, there is no guarantee that such procedures will detect each and every situation in which a conflict arises.

## Compensation

IICO believes that integral to the retention of investment professionals are: a) a competitive base salary, that is commensurate with the individual's level of experience and responsibility. In its consideration of an employee's base salary, IICO reviews industry specific information regarding compensation in the investment management industry,



including data regarding years of experience, asset style managed, etc. Executive management of IICO is responsible for setting the base salary and for its on-going review; b) an attractive bonus structure, summarized below; and c) eligibility for a stock incentive plan in shares of WDR that rewards teamwork (awards of equity-based compensation typically vest over time, so as to create an incentive to retain key talent). All portfolio managers are eligible for restricted stock awards and/or cash-settled restricted stock unit awards. If such awards are granted, they will vest over a period of four years, with the first vesting to take place either one or two years after the date of the award, depending on the type of award granted.

Portfolio managers can receive significant annual performance-based bonuses. The better the pre-tax performance of a portfolio relative to an appropriate benchmark, the more bonus compensation the manager can receive. The primary benchmark is the portfolio manager's percentile ranking against the performance of managers of the same investment style at other firms over one-year, three-year and five-year periods. The secondary benchmark is an index with an investment style substantially similar to that of the portfolio. Non-quantitative factors (which may include, but are not limited to, individual performance, risk management, teamwork, financial measures and consistency of contribution to the firm) also are considered. For truly exceptional results, bonuses can be multiples of base salary. In cases where portfolio managers have more than one portfolio to manage, all the portfolios of similar investment style are taken into account in determining bonuses. With limited exceptions, 30% of annual performance-based bonuses are deferred for a three-year period. During that time, the deferred portion of bonuses is deemed invested in one or more mutual funds managed by IICO, with a minimum of 50% of the deferred bonus required to be deemed invested in a mutual fund managed by the portfolio manager. In addition to the deferred portion of bonuses being deemed invested in mutual funds managed by IICO, WDR's 401(k) plan offers certain mutual funds managed by IICO as investment options. No compensation payable to portfolio managers is based upon the amount of the mutual fund assets under management.

Portfolio managers are eligible for the standard retirement benefits and health and welfare benefits available to all IICO employees.

## Ownership of Securities

■ As of December 31, 2020, the dollar range of shares beneficially owned by each specified portfolio manager, including those shares deemed owned by each portfolio manager and invested through deferred compensation plans, was:

| Manager                     | Portfolio(s) Managed in Ivy Variable Insurance Portfolios     | Dollar Range of Shares Owned <sup>1</sup> or Deemed Owned in Portfolio Managed | Dollar Range of Shares Owned or Deemed Owned in Similarly Managed <sup>2</sup> Funds within the Fund Complex | Dollar Range of Shares Owned or Deemed Owned in the Fund Complex |
|-----------------------------|---|--|--|--|
| Erik R. Becker . . . . .    | Ivy VIP Core Equity   | \$0  | over \$1,000,000   | over \$1,000,000   |
| Mark G. Beischel . . . . .  | Ivy VIP Balanced  | \$0  | \$0  | \$100,001 to \$500,000   |
|                             | Ivy VIP Corporate Bond  | \$0  | \$0  |  |
|                             | Ivy VIP Global Bond   | \$0  | \$100,001 to \$500,000   |  |
| ■ Nathan A. Brown . . . . . | Ivy VIP Mid Cap Growth  | \$0  | over \$1,000,000   | over \$1,000,000   |
| F. Chace Brundige . . . . . | Ivy VIP Asset Strategy  | \$0  | over \$1,000,000   | over \$1,000,000   |
|                             | Ivy VIP Pathfinder Aggressive                                 | \$0  | N/A  |  |
|                             | Ivy VIP Pathfinder Moderately Aggressive                      | \$0  | N/A  |  |
|                             | Ivy VIP Pathfinder Moderate                                   | \$0  | N/A  |  |
|                             | Ivy VIP Pathfinder Moderately Conservative                    | \$0  | N/A  |  |
|                             | Ivy VIP Pathfinder Conservative                               | \$0  | N/A  |  |
|                             | Ivy VIP Pathfinder Moderate – Managed Volatility              | \$0  | N/A  |  |
|                             | Ivy VIP Pathfinder Moderately Aggressive – Managed Volatility | \$0  | N/A  |  |

| <b>Manager</b>                  | <b>Portfolio(s) Managed<br/>in Ivy Variable<br/>Insurance Portfolios</b> | <b>Dollar Range of Shares<br/>Owned<sup>1</sup> or Deemed<br/>Owned in Portfolio<br/>Managed</b> | <b>Dollar Range of<br/>Shares Owned or<br/>Deemed Owned in<br/>Similarly Managed<sup>2</sup><br/>Funds within<br/>the Fund<br/>Complex</b> | <b>Dollar Range of<br/>Shares Owned or<br/>Deemed Owned<br/>in the Fund<br/>Complex</b> |
|---------------------------------|--|--|--|---|
|                                 | Ivy VIP Pathfinder Moderately<br>Conservative – Managed Volatility       | \$0  | N/A  |   |
| Kenneth G. Gau . . . . .        | Ivy VIP Small Cap Core   | \$0  | \$500,001 to \$1,000,000   | over \$1,000,000  |
| David P. Ginther . . . . .      | Ivy VIP Energy   | \$0  | <u>\$500,001</u> to \$1,000,000  | <u>\$500,001</u> to<br>\$1,000,000  |
|                                 | Ivy VIP Natural Resources  | \$0  | \$0  |   |
| Chad A. Gunther . . . . .       | Ivy VIP High Income  | \$0  | <u>\$500,001</u> to <u>\$1,000,000</u>   | over \$1,000,000  |
| Bradley P. Halverson . . . . .  | Ivy VIP Small Cap Growth   | \$0  | \$100,001 to \$500,000   | <u>\$500,001</u> to<br><u>\$1,000,000</u>   |
| Matthew A. Hekman . . . . .     | Ivy VIP Balanced   | \$0  | \$100,001 to \$500,000   | \$100,001 to \$500,000  |
| Bradley M. Klappmeyer . . . . . | Ivy VIP Growth   | \$0  | <u>\$500,001</u> to <u>\$1,000,000</u>   | over \$1,000,000  |
| John C. Maxwell . . . . .       | Ivy VIP International Core Equity  | \$0  | over \$1,000,000   | over \$1,000,000  |
| Kenneth G. McQuade . . . . .    | Ivy VIP Small Cap Growth   | \$0  | <u>\$500,001</u> to <u>\$1,000,000</u>   | over \$1,000,000  |
| Timothy J. Miller . . . . .     | Ivy VIP Small Cap Growth   | \$0  | over \$1,000,000   | over \$1,000,000  |
| Catherine L. Murray . . . . .   | Ivy VIP International Core Equity  | \$0  | \$100,001 to \$500,000   | \$100,001 to \$500,000  |
| Robert E. Nightingale . . . . . | Ivy VIP Global Equity Income   | \$0  | over \$1,000,000   | over \$1,000,000  |
| Matthew T. Norris . . . . .     | Ivy VIP Value  | \$0  | \$500,001 to \$1,000,000   | \$500,001 to<br>\$1,000,000   |
| Christopher J. Parker . . . . . | Ivy VIP Global Equity Income   | \$0  | <u>\$500,001</u> to <u>\$1,000,000</u>   | <u>\$500,001</u> to<br><u>\$1,000,000</u>   |
| Susan K. Regan . . . . .        | Ivy VIP Balanced   | \$0  | \$10,001 to \$50,000   | \$500,001 to<br>\$1,000,000   |
|                                 | Ivy VIP Corporate Bond   | \$0  | <u>\$0</u>   |   |
|                                 | Ivy VIP Limited-Term Bond  | \$0  | \$100,001 to \$500,000   |   |
| Sarah C. Ross . . . . .         | Ivy VIP Global Growth  | \$0  | over \$1,000,000   | over \$1,000,000  |
| Kimberly A. Scott . . . . .     | Ivy VIP Mid Cap Growth   | \$0  | over \$1,000,000   | over \$1,000,000  |
| Zachary H. Shafran . . . . .    | Ivy VIP Science and Technology   | \$0  | <u>\$500,001</u> to <u>\$1,000,000</u>   | \$500,001 to<br>\$1,000,000   |
| Mira Stevovich . . . . .        | Ivy VIP Government Money<br>Market                                       | \$0  | <u>\$0</u>   | over \$1,000,000  |
| W. Jeffery Surles . . . . .     | Ivy VIP Asset Strategy   | \$0  | over \$1,000,000   | over \$1,000,000  |
|                                 | Ivy VIP Pathfinder Aggressive  | \$0  | N/A  |   |
|                                 | Ivy VIP Pathfinder<br>Moderately Aggressive                              | \$0  | N/A  |   |
|                                 | Ivy VIP Pathfinder Moderate  | \$0  | N/A  |   |
|                                 | Ivy VIP Pathfinder<br>Moderately Conservative                            | \$0  | N/A  |   |
|                                 | Ivy VIP Pathfinder Conservative  | \$0  | N/A  |   |
|                                 | Ivy VIP Pathfinder Moderate –<br>Managed Volatility                      | \$0  | N/A  |   |
|                                 | Ivy VIP Pathfinder Moderately<br>Aggressive – Managed Volatility         | \$0  | N/A  |   |
|                                 | Ivy VIP Pathfinder Moderately<br>Conservative – Managed Volatility       | \$0  | N/A  |   |
| Bradley J. Warden . . . . .     | Ivy VIP Science and Technology   | \$0  | <u>\$500,001</u> to <u>\$1,000,000</u>   | over <u>\$1,000,000</u>   |
| Michael T. Wolverton . . . . .  | Ivy VIP Energy   | \$0  | \$0  | \$100,001 to \$500,000  |
|                                 | Ivy VIP Natural Resources  | \$0  | \$10,001 to \$50,000   |   |
| Aaron D. Young . . . . .        | Ivy VIP Pathfinder Aggressive  | \$0  | N/A  | \$0   |

| <b>Manager</b> | <b>Portfolio(s) Managed in Ivy Variable Insurance Portfolios</b> | <b>Dollar Range of Shares Owned<sup>1</sup> or Deemed Owned in Portfolio Managed</b> | <b>Dollar Range of Shares Owned or Deemed Owned in Similarly Managed<sup>2</sup> Funds within the Fund Complex</b> | <b>Dollar Range of Shares Owned or Deemed Owned in the Fund Complex</b> |
|----------------|--|--|--|---|
|                | Ivy VIP Pathfinder Moderately Aggressive                         | \$0  | N/A  |   |
|                | Ivy VIP Pathfinder Moderate                                      | \$0  | N/A  |   |
|                | Ivy VIP Pathfinder Moderately Conservative                       | \$0  | N/A  |   |
|                | Ivy VIP Pathfinder Conservative                                  | \$0  | N/A  |   |
|                | Ivy VIP Pathfinder Moderate – Managed Volatility                 | \$0  | N/A  |   |
|                | Ivy VIP Pathfinder Moderately Aggressive – Managed Volatility    | \$0  | N/A  |   |
|                | Ivy VIP Pathfinder Moderately Conservative – Managed Volatility  | \$0  | N/A  |   |

<sup>1</sup> The Portfolios' shares are available for purchase only by PICs and are indirectly owned by investors in the Policies for which the Portfolios serve as underlying investment vehicles.

<sup>2</sup> Shares deemed to be owned in any Portfolio or similarly managed style within the Fund Complex which is managed by the portfolio manager.

### **Portfolio Managers Employed by Securian AM**

The following tables provide information relating to the portfolio managers of the specified Portfolio as of December 31, 2020:

#### **Lowell R. Bolken—Ivy VIP Securian Real Estate Securities**

|   | <b>Registered Investment Companies</b> | <b>Other Pooled Investment Vehicles</b> | <b>Other Accounts</b> |
|---|--|---|-----------------------|
| Number of Accounts Managed . . . . .                                    | 4                                      | 2                                       | 4                     |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .   | 0                                      | 0                                       | 0                     |
| Assets Managed (in millions) . . . . .                                  | <u>\$553.42</u>                        | <u>\$79.97</u>                          | <u>\$244.43</u>       |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . | \$ 0                                   | \$ 0                                    | \$ 0                  |

#### **Joshua M. Klaetsch—Ivy VIP Securian Real Estate Securities**

|   | <b>Registered Investment Companies</b> | <b>Other Pooled Investment Vehicles</b> | <b>Other Accounts</b> |
|---|--|---|-----------------------|
| Number of Accounts Managed . . . . .                                    | 3                                      | 2                                       | 1                     |
| Number of Accounts Managed with Performance-Based Advisory Fees . . .   | 0                                      | 0                                       | 0                     |
| Assets Managed (in millions) . . . . .                                  | <u>\$480.64</u>                        | <u>\$79.97</u>                          | <u>\$51.81</u>        |
| Assets Managed with Performance-Based Advisory Fees (in millions) . . . | \$ 0                                   | \$ 0                                    | \$ 0                  |

## Matthew K. Richmond—Ivy VIP Securian Real Estate Securities

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                       | 3                                     | 2                                      | 1                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| Assets Managed (in millions) .....                                     | <u>\$480.64</u>                       | <u>\$79.97</u>                         | <u>\$51.81</u>    |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$ 0                                   | \$ 0              |

The following tables provide information relating to the portfolio managers of the volatility management strategy of the Managed Volatility Portfolios as of December 31, 2020:

### Merlin Erickson—Ivy VIP Pathfinder Moderate – Managed Volatility Ivy VIP Pathfinder Moderately Aggressive – Managed Volatility Ivy VIP Pathfinder Moderately Conservative – Managed Volatility

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                       | 7                                     | 0                                      | 2                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| Assets Managed (in millions) .....                                     | <u>\$2,035.34</u>                     | <u>\$0</u>                             | <u>\$44.77</u>    |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$0                                    | \$ 0              |

### Jeremy Gogos—Ivy VIP Pathfinder Moderate – Managed Volatility Ivy VIP Pathfinder Moderately Aggressive – Managed Volatility Ivy VIP Pathfinder Moderately Conservative – Managed Volatility

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                       | 7                                     | 0                                      | 2                 |
| Number of Accounts Managed with Performance-Based Advisory Fees ...    | 0                                     | 0                                      | 0                 |
| Assets Managed (in millions) .....                                     | <u>\$2,035.34</u>                     | <u>\$0</u>                             | <u>\$44.77</u>    |
| Assets Managed with Performance-Based Advisory Fees (in millions) .... | \$ 0                                  | \$0                                    | \$ 0              |

### Craig M. Stapleton—Ivy VIP Pathfinder Moderate – Managed Volatility Ivy VIP Pathfinder Moderately Aggressive – Managed Volatility Ivy VIP Pathfinder Moderately Conservative – Managed Volatility

|  | Registered<br>Investment<br>Companies | Other Pooled<br>Investment<br>Vehicles | Other<br>Accounts |
|--|---------------------------------------|--|-------------------|
| Number of Accounts Managed .....                                   | 8                                     | 1                                      | <u>171</u>        |
| Number of Accounts Managed with Performance-Based Advisory Fees .. | 0                                     | 0                                      | 0                 |

|  | <u>Registered<br/>Investment<br/>Companies</u> | <u>Other Pooled<br/>Investment<br/>Vehicles</u> | <u>Other<br/>Accounts</u> |
|--|--|---|---------------------------|
| Assets Managed (in millions) . . . . .                                 | \$2,108.12                                     | \$550.99  | \$28,416.72               |
| Assets Managed with Performance-Based Advisory Fees (in millions). . . | \$ 0   | \$ 0  | \$ 0                      |

## Conflicts of Interest

In the judgment of IICO and Securian AM, no material conflicts of interest are likely to arise in connection with a portfolio manager's management of the Portfolios on the one hand and the management of any account identified above on the other. All portfolio managers must manage assets in their personal accounts in accordance with Securian AM's code of ethics. The Portfolios and all other accounts managed by a portfolio manager in a similar style are managed subject to substantially similar investment restrictions and guidelines, and therefore no conflict of interest is likely to arise due to material differences in investment strategy. Securian AM also has adopted policies and procedures designed for fair allocation of investment opportunities between the Portfolios and other accounts managed by the same portfolio manager, including accounts of Securian AM or their affiliates. In addition, Securian AM believes that material conflicts due to differences in compensation paid to portfolio managers (see below) also are unlikely to arise. Account performance is a factor in determining a portfolio manager's compensation, but no portfolio manager's compensation structure favors one account over another on the basis of performance.

## Compensation

As of the end of the Portfolios' most recent fiscal year, each portfolio manager of a Portfolio is compensated for managing the Portfolios and for managing other accounts identified above in the manner set forth below. Portfolio managers also receive other compensation in the form of group insurance and medical benefits and pension and other retirement benefits which are available generally to all employees of Securian AM and which do not discriminate in favor of any portfolio manager.

**Base Salary** — the portfolio managers' total compensation packages are reviewed and adjusted annually using competitive compensation surveys. Base salary is designed to provide a measure of stability and is targeted to be competitive with peers.

**Short-term Bonus** — the portfolio managers are eligible for an annual bonus that is based on the portfolio manager's ability to meet predetermined goals. The primary goals are based on investment performance along with subjective standards relating to investment management activities. The remaining goals are based on subjective fulfillment of position duties.

**Long-term Incentive** — the portfolio managers are eligible for a long-term bonus that is dependent upon Securian AM's strategic business objectives such as profitability, sales, etc. If long-term bonuses are granted, the bonus has a four-year vesting schedule.

**Deferred Compensation** — the portfolio managers have the option to defer all or part of his or her short-term and long-term bonuses into a non-qualified deferred compensation plan. All elections must be made prior to the start of the performance measurement period.

**Revenue Share** — the portfolio managers may be paid a percentage of revenue received for the management of assets for unaffiliated clients including Ivy VIP Securian Real Estate Securities or the Managed Volatility Portfolios. Revenues received from accounts of Securian AM or any of its affiliates, are not subject to revenue share.



## Ownership of Securities

As of December 31, 2020, the dollar range of shares beneficially owned by each specified portfolio manager was:

| <u>Manager</u>                | <u>Dollar Range of Shares<br/>owned* in Ivy<br/>VIP Securian<br/>Real Estate<br/>Securities</u> | <u>Dollar Range of Shares<br/>Owned in Fund<br/>Complex</u> |
|-------------------------------|---|---|
| Lowell R. Bolken . . . . .    | \$0   | \$100,001 to \$500,000                                      |
| Joshua M. Klaetsch . . . . .  | \$0   | \$10,001 to \$50,000  |
| Matthew K. Richmond . . . . . | \$0   | \$100,001 to \$500,000                                      |

\* The Portfolio's shares are available for purchase only by PICs and are indirectly owned by investors in the Policies for which the Portfolio serves as an underlying investment vehicle.

| <u>Manager</u>               | <u>Dollar Range of<br/>Shares<br/>owned* in Ivy VIP<br/>Pathfinder<br/>Moderate –<br/>Managed<br/>Volatility</u> | <u>Dollar Range of<br/>Shares<br/>owned* in Ivy<br/>VIP Pathfinder<br/>Moderately<br/>Aggressive –<br/>Managed Volatility</u> | <u>Dollar Range of<br/>Shares<br/>owned* in Ivy<br/>VIP Pathfinder<br/>Moderately<br/>Conservative –<br/>Managed Volatility</u> | <u>Dollar Range of<br/>Shares<br/>Owned in Fund<br/>Complex</u> |
|------------------------------|--|---|---|---|
| Merlin Erickson . . . . .    | \$0  | \$0   | \$0   | \$10,001 to \$50,000  |
| Jeremy Gogos . . . . .       | \$0  | \$0   | \$0   | \$0   |
| Craig M. Stapleton . . . . . | \$0  | \$0   | \$0   | \$0   |

\* The Portfolio's shares are available for purchase only by PICs and are indirectly owned by investors in the Policies for which the Portfolio serves as an underlying investment vehicle.

## BROKERAGE ALLOCATION AND OTHER PRACTICES

Each of the Pathfinder Portfolios and the Managed Volatility Portfolios purchases and sells the shares of the Underlying Funds without commission or other sales charge. To the extent that a Pathfinder Portfolio or a Managed Volatility Portfolio purchases or sells U.S. government securities, commercial paper and other short-term corporate obligations and other money market instruments, including repurchase agreements, such transactions may be made directly with the issuers, dealers or banks, as further described below.

One of the duties undertaken by IICO pursuant to the Management Agreement is to arrange the purchase and sale of securities for the Portfolios. For Ivy VIP Securian Real Estate Securities, IICO has delegated this duty primarily to the Portfolio's subadviser.

With respect to most Portfolios with fixed-income investments, many purchases are made directly from issuers or from underwriters, dealers or banks. Purchases from underwriters include a commission or concession paid by the issuer to the underwriter. Purchases from dealers will include the spread between the bid and the asked prices. Otherwise, transactions in securities other than those for which an exchange is the primary market generally are effected with dealers acting as principals or market makers. Brokerage commissions primarily are paid for effecting transactions in securities traded on an exchange and otherwise only if it appears likely that a better price or execution can be obtained.

The individuals who manage the Portfolios may manage other advisory accounts with similar investment objectives. It can be anticipated that a portfolio manager frequently, yet not always, will place concurrent orders for all or most accounts for which the portfolio manager has responsibility or IICO otherwise may combine orders for a Portfolio with those of other Portfolios, other funds within the Fund Complex or other accounts for which it has investment discretion, including accounts affiliated with IICO. IICO, at its discretion, may aggregate such orders. Under current written procedures, transactions effected pursuant to such combined orders are averaged as to price and allocated in accordance with the purchase or sale orders actually placed for each fund or advisory account, except where the combined order is not

filled completely. In this case, for a transaction not involving an IPO, IICO ordinarily will allocate the transaction *pro rata* based on the orders placed, subject to certain variances provided for in the written procedures.

For a partially filled IPO order, subject to certain variances specified in the written procedures, IICO generally allocates the shares *pro rata* among the included funds and/or advisory accounts based on the total assets of each account, subject to adjustments for *de minimis* allocations and round lots. Funds/accounts with investment strategies and policies that make an IPO more appropriate for those accounts may receive greater allocations compared to accounts for which the IPO is less suitable. An amount otherwise allocable to a participating account based on a *pro rata* allocation may be reduced or eliminated to accommodate the account's cash availability, position limitations and investment restrictions. In such cases, the shares that would otherwise have been allocated to such accounts shall be reallocated to the remaining accounts in accordance with the written procedures. In all cases, IICO seeks to implement its allocation procedures to achieve a fair and equitable allocation of securities among its portfolios/funds and other advisory accounts.

Similarly, to the extent permitted by applicable law, a Portfolio's Subadviser may aggregate the securities to be sold or purchased for the Portfolio with those of other accounts managed by the Subadviser. The Subadviser is obligated to allocate any securities so purchased or sold, as well as the expenses incurred in the transaction, in the manner it believes to be the most equitable and consistent with its fiduciary obligations to the Portfolio and such other accounts.

Sharing in large transactions could affect the price a Portfolio pays or receives or the amount it buys or sells. Additionally, a better negotiated commission may be available through combined orders.

Portfolio subadvisers are required to effect derivative transactions using derivatives documentation executed by IICO (e.g., ISDA Master Agreements and corresponding documents). A Portfolio's subadviser is not authorized to trade derivative instruments under any other derivatives documentation.

To effect the portfolio transactions of a Portfolio, the Investment Manager is authorized to engage broker-dealers (brokers) which, in its best judgment based on all relevant factors, will implement the policy of the Portfolio to seek best execution (prompt and reliable execution at the best price obtainable) for reasonable and competitive commissions. The Investment Manager need not seek competitive commission bidding but is expected to minimize the commissions paid to the extent consistent with the interests and policies of the Portfolio. Subject to review by the Board, such policies include the selection of brokers which provide execution and/or research services and other services directly or through others (research and brokerage services) considered by the Investment Manager to be useful or desirable for its investment management of the Portfolio and/or the other funds and accounts for which the Investment Manager has investment discretion.

Such research and brokerage services are, in general, defined by reference to Section 28(e) of the Exchange Act as including: (1) advice, either directly or through publications or writings, as to the value of securities, the advisability of investing in, purchasing or selling securities and the availability of securities and purchasers or sellers; (2) furnishing analyses and reports; or (3) effecting securities transactions and performing functions incidental thereto (such as clearance, settlement and custody). Investment discretion is, in general, defined as having authorization to determine what securities shall be purchased or sold for an account.

The commissions paid to brokers that provide such research and/or brokerage services may be higher than the commission another qualified broker would charge for effecting comparable transactions and are permissible if a good faith determination is made by the Investment Manager that the commission is reasonable in relation to the research or brokerage services provided. No allocation of brokerage or principal business is made to provide any other benefits to the Investment Manager. The Investment Manager does not direct Portfolio brokerage to compensate brokers for the sale of Portfolio shares. The Portfolios have adopted a policy that prohibits the Investment Manager from using Portfolio brokerage commissions to compensate broker-dealers for promotion or sale of Portfolio shares.

The investment research provided by a particular broker may be useful only to one or more of the other advisory accounts of the Investment Manager and investment research received for the commissions of those other accounts may be useful both to a Portfolio and one or more of such other accounts. To the extent that electronic or other products provided by such brokers to assist the Investment Manager in making investment management decisions are used for administration

or other non-research purposes, a reasonable allocation of the cost of the product attributable to its non-research use is made and this cost is paid by the Investment Manager.

Such investment research (which may be supplied by a third party) includes information on particular companies and industries as well as market, economic or institutional activity areas. In general, such investment research serves to broaden the scope and supplement the research activities of the Investment Manager; serves to make available additional views for consideration and comparisons; and enables the Investment Manager to obtain market information on the price of securities held in a Portfolio or being considered for purchase.

The following table sets forth the brokerage commissions paid by each of the Portfolios during the past three fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018. These figures do not include principal transactions or spreads or concessions on principal transactions, that is, those in which a Portfolio sells securities to a broker-dealer firm or buys from a broker-dealer firm securities owned by it.

|   | <u>2020</u>        | <u>2019</u>        | <u>2018</u>        |
|---|--------------------|--------------------|--------------------|
| Ivy VIP Asset Strategy .....  | \$ <u>239,716</u>  | \$ <u>382,429</u>  | \$ <u>440,089</u>  |
| Ivy VIP Balanced .....  | <u>59,137</u>      | 94,948             | 136,508            |
| Ivy VIP Core Equity .....   | <u>240,847</u>     | 374,344            | 422,321            |
| Ivy VIP Corporate Bond .....  | <u>2,314</u>       | 0                  | 0                  |
| Ivy VIP Energy .....  | <u>51,744</u>      | 25,576             | 167,637            |
| Ivy VIP Global Bond .....   | <u>0</u>           | 175                | 407                |
| Ivy VIP Global Equity Income .....                                    | <u>233,064</u>     | 162,745            | 451,153            |
| Ivy VIP Global Growth .....   | <u>52,910</u>      | 42,146             | 247,477            |
| Ivy VIP Government Money Market .....                                 | <u>0</u>           | 0                  | 0                  |
| Ivy VIP Growth .....  | <u>74,867</u>      | 125,448            | 220,188            |
| Ivy VIP High Income .....   | <u>3,307</u>       | 1,366              | 760                |
| Ivy VIP International Core Equity .....                               | <u>785,966</u>     | 777,203            | 786,996            |
| Ivy VIP Limited-Term Bond .....                                       | <u>0</u>           | <u>0</u>           | <u>2,000</u>       |
| Ivy VIP Mid Cap Growth .....  | <u>164,632</u>     | 100,533            | 305,062            |
| Ivy VIP Natural Resources .....                                       | <u>59,614</u>      | 45,731             | 55,987             |
| Ivy VIP Science and Technology .....                                  | <u>45,811</u>      | 173,267            | 146,542            |
| Ivy VIP Securian Real Estate Securities .....                         | <u>38,196</u>      | 31,487             | 49,892             |
| Ivy VIP Small Cap Core .....  | <u>270,899</u>     | 302,072            | 529,027            |
| Ivy VIP Small Cap Growth .....  | <u>190,959</u>     | 208,160            | 339,397            |
| Ivy VIP Value .....   | <u>366,669</u>     | 350,945            | 382,800            |
| Ivy VIP Pathfinder Aggressive .....                                   | <u>0</u>           | 0                  | 0                  |
| Ivy VIP Pathfinder Conservative .....                                 | <u>0</u>           | 0                  | 0                  |
| Ivy VIP Pathfinder Moderate .....                                     | <u>0</u>           | 0                  | 0                  |
| Ivy VIP Pathfinder Moderate - Managed Volatility .....                | <u>15,322</u>      | 2,183              | 2,835              |
| Ivy VIP Pathfinder Moderately Aggressive .....                        | <u>0</u>           | 0                  | 0                  |
| Ivy VIP Pathfinder Moderately Aggressive - Managed Volatility .....   | <u>1,941</u>       | 337                | 533                |
| Ivy VIP Pathfinder Moderately Conservative .....                      | <u>0</u>           | 0                  | 0                  |
| Ivy VIP Pathfinder Moderately Conservative - Managed Volatility ..... | <u>2,177</u>       | 323                | 467                |
| Total .....   | <u>\$2,900,092</u> | <u>\$3,201,418</u> | <u>\$4,688,078</u> |

The next table shows the transactions, other than principal transactions, which were directed to broker-dealers who provided research services as well as execution and the brokerage commissions paid during the fiscal year ended

December 31, 2020 for each of the Portfolios. These transactions were allocated to these broker-dealers by the internal allocation procedures described above.

|  | <u>Amount of Transactions</u> | <u>Brokerage Commissions</u> |
|--|-------------------------------|------------------------------|
| Ivy VIP Asset Strategy . . . . .   | \$ 298,447,184                | \$ 214,880                   |
| Ivy VIP Balanced . . . . .   | 154,028,847                   | 54,646                       |
| Ivy VIP Core Equity . . . . .  | 683,159,280                   | 225,712                      |
| Ivy VIP Corporate Bond. . . . .  | 0                             | 0                            |
| Ivy VIP Energy . . . . .   | 17,081,418                    | 39,236                       |
| Ivy VIP Global Bond . . . . .  | 0                             | 0                            |
| Ivy VIP Global Equity Income. . . . .                                    | 242,126,567                   | 189,019                      |
| Ivy VIP Global Growth. . . . .   | 86,709,178                    | 49,802                       |
| Ivy VIP Government Money Market. . . . .                                 | 0                             | 0                            |
| Ivy VIP Growth . . . . .   | 389,241,306                   | 66,471                       |
| Ivy VIP High Income . . . . .  | 194,080                       | 1,186                        |
| Ivy VIP International Core Equity . . . . .                              | 644,513,517                   | 683,858                      |
| Ivy VIP Limited-Term Bond . . . . .                                      | 0                             | 0                            |
| Ivy VIP Mid Cap Growth . . . . .   | 227,044,281                   | 108,883                      |
| Ivy VIP Natural Resources . . . . .                                      | 62,386,645                    | 53,191                       |
| Ivy VIP Science and Technology . . . . .                                 | 128,869,133                   | 43,910                       |
| Ivy VIP Securian Real Estate Securities . . . . .                        | 40,398,110                    | 37,147                       |
| Ivy VIP Small Cap Core . . . . .   | 335,167,691                   | 253,664                      |
| Ivy VIP Small Cap Growth. . . . .  | 306,191,299                   | 178,755                      |
| Ivy VIP Value . . . . .  | 485,471,479                   | 321,787                      |
| Ivy VIP Pathfinder Aggressive. . . . .                                   | 0                             | 0                            |
| Ivy VIP Pathfinder Conservative. . . . .                                 | 0                             | 0                            |
| Ivy VIP Pathfinder Moderate . . . . .                                    | 0                             | 0                            |
| Ivy VIP Pathfinder Moderate - Managed Volatility. . . . .                | 0                             | 0                            |
| Ivy VIP Pathfinder Moderately Aggressive . . . . .                       | 0                             | 0                            |
| Ivy VIP Pathfinder Moderately Aggressive - Managed Volatility . . . . .  | 0                             | 0                            |
| Ivy VIP Pathfinder Moderately Conservative. . . . .                      | 0                             | 0                            |
| Ivy VIP Pathfinder Moderately Conservative - Managed Volatility. . . . . | 0                             | 0                            |
| Total . . . . .  | \$4,101,030,015               | \$2,522,147                  |

As of December 31, 2020, each of the Portfolios held securities issued by their respective regular broker-dealers, as follows: (all amounts in thousands)

Ivy VIP Asset Strategy owned Barclays plc, Credit Suisse Group AG, Goldman Sachs Group, Inc. (The) and Morgan Stanley securities in the aggregate amounts of \$12,123, \$11,517, \$6,694 and \$6,917, respectively. Barclays plc is the parent of Barclays Capital Inc., a regular broker of the Portfolio. Credit Suisse Group AG is the parent of Credit Suisse, a regular broker of the Portfolio. Goldman Sachs Group, Inc. (The) is the parent of Goldman, Sachs & Co., a regular broker of the Portfolio. Morgan Stanley is the parent of Morgan Stanley Smith Barney LLC, a regular broker of the Portfolio.

Ivy VIP Balanced owned Bank of America Corp., Citigroup, Inc., Goldman Sachs Group, Inc. (The), JPMorgan Chase & Co. and Morgan Stanley securities in the aggregate amounts of \$439, \$1,009, \$8,020, \$6,414 and \$4,697, respectively. Bank of America Corp. is the parent of Merrill Lynch, Pierce, Fenner & Smith Inc., a regular broker of the Portfolio. Citigroup, Inc. is the parent of Citigroup Global Markets Inc., a regular broker of the Portfolio. Goldman Sachs

Group, Inc. (The) is the parent of Goldman, Sachs & Co., a regular broker of the Portfolio. JPMorgan Chase & Co. is the parent of J.P. Morgan Securities Inc., a regular broker of the Portfolio. Morgan Stanley is the parent of Morgan Stanley Smith Barney LLC, a regular broker of the Portfolio.

Ivy VIP Core Equity owned JPMorgan Chase & Co. and Morgan Stanley securities in the aggregate amounts of \$24,843 and \$21,441, respectively. JPMorgan Chase & Co. is the parent of J.P. Morgan Securities Inc., a regular broker of the Portfolio. Morgan Stanley the parent of Morgan Stanley Smith Barney LLC, a regular broker of the Portfolio.

Ivy VIP Corporate Bond owned Bank of America Corp., Citigroup, Inc., Credit Suisse Group AG, Goldman Sachs Group, Inc. (The), JPMorgan Chase & Co., Mizuho Financial Group, Inc., Morgan Stanley and Wells Fargo & Co. securities in the aggregate amounts of \$14,373, \$15,481, \$2,061, \$15,460, \$16,636, \$3,090, \$14,794 and \$12,195, respectively. Bank of America Corp. is the parent of Merrill Lynch, Pierce, Fenner & Smith Inc., a regular broker of the Portfolio. Citigroup, Inc. is the parent of Citigroup Global Markets Inc., a regular broker of the Portfolio. Credit Suisse Group AG is the parent of Credit Suisse, a regular broker of the Portfolio. Goldman Sachs Group, Inc. (The) is the parent of Goldman, Sachs & Co., a regular broker of the Portfolio. JPMorgan Chase & Co. is the parent of J.P. Morgan Securities Inc., a regular broker of the Portfolio. Mizuho Financial Group, Inc. is the parent of Mizuho Securities USA Inc., a regular broker of the Portfolio. Morgan Stanley is the parent of Morgan Stanley Smith Barney LLC, a regular broker of the Portfolio. Wells Fargo & Co. is the parent of Wells Fargo Securities LLC, a regular broker of the Portfolio.

Ivy VIP Global Bond owned Bank of America Corp., Citigroup, Inc., Goldman Sachs Group, Inc. (The), JPMorgan Chase & Co. and Wells Fargo & Co. securities in the aggregate amounts of \$142, \$141, \$116, \$186 and \$146, respectively. Bank of America Corp. is the parent of Merrill Lynch, Pierce, Fenner & Smith Inc., a regular broker of the Portfolio. Citigroup, Inc. is the parent of Citigroup Global Markets Inc., a regular broker of the Portfolio. Goldman Sachs Group, Inc. (The) is the parent of Goldman, Sachs & Co., a regular broker of the Portfolio. JPMorgan Chase & Co. is the parent of J.P. Morgan Securities Inc., a regular broker of the Portfolio. Wells Fargo & Co. is the parent of Wells Fargo Securities LLC, a regular broker of the Portfolio.

Ivy VIP Global Equity Income owned Citigroup, Inc. and Morgan Stanley securities in the aggregate amounts of \$8,516 and \$10,445, respectively. Citigroup, Inc. is the parent of Citigroup Global Markets Inc., a regular broker of the Portfolio. Morgan Stanley is the parent of Morgan Stanley Smith Barney LLC, a regular broker of the Portfolio.

Ivy VIP Global Growth owned Citigroup, Inc., Goldman Sachs Group, Inc. (The), JPMorgan Chase & Co. and Morgan Stanley securities in the aggregate amounts of \$2,048, \$2,449, \$1,777 and \$2,808, respectively. Citigroup, Inc. is the parent of Citigroup Global Markets Inc., a regular broker of the Portfolio. Goldman Sachs Group, Inc. (The) is the parent of Goldman, Sachs & Co., a regular broker of the Portfolio. JPMorgan Chase & Co. is the parent of J.P. Morgan Securities Inc., a regular broker of the Portfolio. Morgan Stanley is the parent of Morgan Stanley Smith Barney LLC, a regular broker of the Portfolio.

Ivy VIP Limited-Term Bond owned Bank of America Corp., Citigroup, Inc., Goldman Sachs Group, Inc. (The), JPMorgan Chase & Co., Mizuho Financial Group, Inc., Morgan Stanley and Wells Fargo & Co. securities in the aggregate amounts of \$5,861, \$7,642, \$5,832, \$5,896, \$1,810, \$4,335 and \$2,531, respectively. Bank of America Corp. is the parent of Merrill Lynch, Pierce, Fenner & Smith Inc., a regular broker of the Portfolio. Citigroup, Inc. is the parent of Citigroup Global Markets Inc., a regular broker of the Portfolio. Goldman Sachs Group, Inc. (The) is the parent of Goldman, Sachs & Co., a regular broker of the Portfolio. JPMorgan Chase & Co. is the parent of J.P. Morgan Securities Inc., a regular broker of the Portfolio. Mizuho Financial Group, Inc. is the parent of Mizuho Securities USA Inc., a regular broker of the Portfolio. Morgan Stanley is the parent of Morgan Stanley Smith Barney LLC, a regular broker of the Portfolio. Wells Fargo & Co. is the parent of Wells Fargo Securities LLC, a regular broker of the Portfolio.

Ivy VIP Value owned Citigroup, Inc. and Morgan Stanley securities in the aggregate amounts of \$16,116 and \$16,287, respectively. Citigroup, Inc. is the parent of Citigroup Global Markets Inc., a regular broker of the Portfolio. Morgan Stanley is the parent of Morgan Stanley Smith Barney LLC, a regular broker of the Portfolio.



## **PROXY VOTING POLICY FOR IICO**

The Portfolios have delegated all proxy voting responsibilities to IICO. IICO has established guidelines that reflect what it believes are desirable principles of corporate governance.

Listed below are several reoccurring issues and IICO's corresponding positions.

### **Board of Directors Issues:**

IICO generally supports proposals requiring that a majority of the board of directors consist of outside, or independent, directors.

IICO generally votes against proposals to limit or eliminate liability for monetary damages for violating the duty of care.

IICO generally votes against indemnification proposals that would expand coverage to more serious acts such as negligence, willful or intentional misconduct, derivation of improper personal benefit, absence of good faith, reckless disregard for duty, and unexcused pattern of inattention. The success of a corporation in attracting and retaining qualified directors and officers, in the best interest of shareholders, is partially dependent on its ability to provide some satisfactory level of protection from personal financial risk. IICO will support such protection so long as it does not exceed reasonable standards.

IICO generally votes against proposals requiring the provision for cumulative voting in the election of directors as cumulative voting may allow a minority group of shareholders to cause the election of one or more directors.

### **Corporate Governance Issues:**

IICO generally supports proposals to ratify the appointment of independent accountants/auditors unless reasons exist which cause it to vote against the appointment.

IICO generally votes against proposals to restrict or prohibit the right of shareholders to call special meetings.

IICO generally votes against proposals which include a provision to require a supermajority vote to amend any charter or bylaw provision, or to approve mergers or other significant business combinations.

IICO generally votes for proposals to authorize an increase in the number of authorized shares of common stock.

IICO generally votes against proposals for the adoption of a Shareholder Rights Plan (sometimes referred to as "Purchase Rights Plan"). It believes that anti-takeover proposals generally are not in the best interest of shareholders. Such a Plan gives the board of directors virtual veto power over acquisition offers which may well offer material benefits to shareholders.

### **Executive/Employee Issues:**

IICO generally will vote for proposals to establish an Employee Stock Ownership Plan (ESOP) as long as the size of the ESOP is reasonably limited.

### **Political Activity:**

IICO generally will vote against proposals requiring the publication of reports on political activity or contributions made by political action committees (PACs) sponsored or supported by the corporation. PAC contributions generally are made with funds contributed voluntarily by employees, and provide positive individual participation in the political process of a democratic society. In addition, federal law and most state laws require full disclosure of political contributions made by PACs. This is public information and available to all interested parties. Requiring reports in newspaper publications results in added expense without commensurate benefit to shareholders.

## Conflicts of Interest Between IICO and the Trust:

IICO will follow the procedures established below to ensure that its proxy voting decisions are based on the best interests of the Portfolios and are not the product of a material conflict.

**(1) Identifying Conflicts of Interest:** IICO will evaluate the nature of its relationships to assess which, if any, might place its interests, as well as those of its affiliates, in conflict with those of a Portfolio's shareholders on a proxy voting matter. IICO will review the following three general categories with respect to any proxy voting matter to determine if there is a potential conflict:

- **Business Relationships** – IICO will review any business relationships for a material conflict where IICO provides investment advisory services for a company or an employee group, manages pension assets, administers employee benefit plans, leases office space from a company, or provides brokerage, underwriting, insurance, banking or consulting services to a company or if it (or an affiliate) is actively soliciting any such business from a company; or if IICO has determined that IICO (or an affiliate) otherwise has a similar significant relationship with a third party.
- **Personal Relationships** – IICO will review any personal relationships where it (or an affiliate) has a known personal relationship with the issuer's management or other proponents of proxy proposals, participants in proxy contests, corporate directors, or candidates for directorships to determine if a material conflict exists.
- **Familial Relationships** – IICO will review any family relationships where it (or an affiliate) has a known familial relationship relating to a company (e.g., a spouse or other relative who serves as a director of a public company or is employed by the company) to determine if a material conflict exists. Any person with knowledge of a potential conflict of interest of IICO (or an affiliate) for a particular item shall disclose that conflict to the Director of Research of IICO. Any person with a known potential conflict of interest for a particular item shall disclose that conflict to the Director of Research and otherwise remove himself or herself from the proxy voting process with respect to that item. IICO or the Director of Research also will review all known relationships of portfolio managers and senior management for potential conflicts. IICO will designate an individual or committee to review all proxies to be voted by IICO on behalf of the Portfolios and identify any potential conflicts of interest on an ongoing basis.

**(2) Determining “Material Conflicts”:** IICO will review each relationship identified as having a potential conflict based on the individual facts and circumstances. For purposes of this review, IICO will determine materiality based on the reasonable likelihood that the relationship, in the particular context, could be viewed as important by the average shareholder.

**(3) Procedures to Address Material Conflicts:** IICO will use one or more of the following methods to vote proxies that have been determined to present a “Material Conflict.”

- **Use a Proxy Voting Service for Specific Proposals** – As a primary means of voting material conflicts, IICO will vote in accordance with the recommendation of an independent proxy voting service (Institutional Shareholder Services (ISS) or another independent third party if a recommendation from ISS is unavailable).
- **Use a Predetermined Voting Policy** – If no directives are provided by an independent proxy voting service, IICO may vote material conflicts pursuant to the pre-determined Proxy Voting Policies, established therein, should such subject matter fall sufficiently within the identified subject matter.

If the issue involves a material conflict and IICO uses this method, IICO will not be permitted to vary from the established voting policies established therein.

- **Seek Board Guidance** – Finally, if the Material Conflict does not fall within one of the situations referenced above, IICO may seek guidance from the Board on voting the proxy for such matters. Under this method, IICO will disclose the nature of the conflict to the Board (or a committee of the Board consisting primarily of disinterested directors and to whom authority to direct proxy voting has been delegated) and obtain the Board's consent or direction to vote the proxies.

## **Echo Voting:**

Each Pathfinder Portfolio and Managed Volatility Portfolio is a fund of funds that invests primarily in a combination of Underlying Funds. The Board has adopted proxy voting policies to govern the voting of proxies received by each Pathfinder Portfolio and Managed Volatility Portfolio with respect to its investments in Underlying Funds. If an Underlying Fund has a shareholder meeting, a Pathfinder Portfolio or a Managed Volatility Portfolio, if possible, will vote its interests in the Underlying Fund in the same proportion as the votes cast by all of the other shareholders of the Underlying Fund. This is known as “echo voting” and is designed to avoid potential conflicts of interest.

For VIP Securian Real Estate Securities, IICO has delegated proxy voting responsibilities to the Portfolio's subadviser. The proxy voting policies of the subadviser is set forth in Appendix B to this SAI.

## **PROXY VOTING RECORD**

Each Portfolio is required to file with the SEC its complete proxy voting record for the 12-month period ending June 30, by no later than August 31 of each year. Information regarding how the proxies for each Portfolio relating to its portfolio securities were voted during the most recent 12-month period ended June 30, 2020, is available without charge at [www.ivyinvestments.com](http://www.ivyinvestments.com), and on the SEC's website at <http://www.sec.gov>.

## **TRUST SHARES**

### **The Shares of the Portfolios**

The shares of a Portfolio represent an interest in that Portfolio's securities and other assets and in its profits or losses. Each fractional share of a class of a Portfolio has the same rights, in proportion, as a full share of that class of that Portfolio.

Shares of the Trust are currently divided into the following series, as that term is defined in the Amended and Restated Declaration of Trust: Ivy VIP Asset Strategy, Ivy VIP Balanced, Ivy VIP Core Equity, Ivy VIP Corporate Bond, Ivy VIP Energy, Ivy VIP Global Bond, Ivy VIP Global Equity Income, Ivy VIP Global Growth, Ivy VIP Government Money Market, Ivy VIP Growth, Ivy VIP High Income, Ivy VIP International Core Equity, Ivy VIP Limited-Term Bond, Ivy VIP Mid Cap Growth, Ivy VIP Natural Resources, Ivy VIP Science and Technology, Ivy VIP Securian Real Estate Securities, Ivy VIP Small Cap Core, Ivy VIP Small Cap Growth, Ivy VIP Value, Ivy VIP Pathfinder Aggressive, Ivy VIP Pathfinder Moderately Aggressive, Ivy VIP Pathfinder Moderate, Ivy VIP Pathfinder Moderately Conservative, Ivy VIP Pathfinder Conservative, Ivy VIP Pathfinder Moderate — Managed Volatility, Ivy VIP Pathfinder Moderately Aggressive — Managed Volatility, and Ivy VIP Pathfinder Moderately Conservative — Managed Volatility. The Board may change the designation of any Portfolio and may increase or decrease the numbers of shares of any Portfolio but may not decrease the number of shares of any Portfolio below the number of shares then outstanding.

Each Portfolio currently offers Class II shares. Ivy VIP Asset Strategy, Ivy VIP Energy, Ivy VIP High Income, Ivy VIP Mid Cap Growth, Ivy VIP Science and Technology and Ivy VIP Small Cap Growth currently also offer Class I shares. The different classes of shares represent investments in the same portfolio of securities, but the classes are subject to different expenses and usually will have different share prices. Class II shares are subject to a service plan that is described above. Class I shares are not subject to a service plan and may be purchased only through fund of funds, advisory or trust accounts, wrap accounts or other asset allocation or fee-based investment arrangements. Except as described below, all classes of shares of the Portfolios have identical voting, dividend, liquidation and other rights, preferences, terms and conditions. The only differences between the classes are (a) each class may be subject to different expenses specific to that class; (b) each class has a different identifying designation or name; and (c) each class has exclusive voting rights with respect to matters solely affecting that class.

Each Portfolio does not anticipate that there will be any conflicts between the interests of holders of the different classes of its shares by virtue of those classes.

Each issued and outstanding class of a share in a Portfolio is entitled to participate equally in dividends and other distributions declared by that class of a Portfolio and, upon liquidation or dissolution, in net assets of such Portfolio remaining after satisfaction of outstanding liabilities. The shares of each Portfolio when issued are fully paid and nonassessable.

The Trust does not hold annual meetings of shareholders; however, certain significant corporate matters, such as the approval of a new investment advisory agreement or a change in a fundamental investment policy, which require shareholder approval, will be presented to shareholders at a meeting called by the Board for such purpose.

Special meetings of shareholders may be called for any purpose upon receipt by the Trust of a request in writing signed by shareholders owning not less than 25% of the aggregate number of votes to which shareholders are entitled at such meeting, as provided in the Amended and Restated Declaration of Trust and Amended and Restated Bylaws of the Trust. There normally will be no meeting of the shareholders for the purpose of electing Trustees until such time as less than a majority of Trustees holding office have been elected by shareholders, at which time the Trustees then in office will call a shareholders' meeting for the election of Trustees. To the extent that Section 16(c) of the 1940 Act applies to a Portfolio, the Trustees are required to call a meeting of shareholders for the purpose of voting upon the question of removal of any Trustee when requested in writing to do so by the shareholders owning at least 10% of the aggregate number of votes to which shareholders of that Portfolio are entitled, as provided in the Amended and Restated Declaration of Trust and Amended and Restated Bylaws of the Trust.

Each shareholder of the Trust is entitled to one vote for each dollar of NAV of a Portfolio owned by the shareholder. Matters in which the interests of all the Portfolios are substantially identical (such as the election of Trustees) will be voted on by all shareholders without regard to the separate Portfolios. Matters that affect a particular Portfolio (such as approval of its Investment Management Agreement or a change in its fundamental investment restrictions) will be voted on separately by the Portfolio, except that as to matters which affect the interests of one particular class of a Portfolio's shares, the affected shareholders vote as a separate class.

To the extent required by law, Policyowners are entitled to give voting instructions with respect to Portfolio shares held in the separate accounts of PICs. PICs will vote with respect to the shares in accordance with such instructions unless otherwise legally required or permitted to act with respect to such instructions.

## **PURCHASE, REDEMPTION AND PRICING OF SHARES**

The separate accounts of the PICs place orders to purchase and redeem shares of each Portfolio based on, among other things, the amount of premium payments to be invested and the number of surrender and transfer requests to be effected on any day according to the terms of the Policies. Orders for shares of the Portfolios are executed at the time they are received by IDI and at the NAV determined as of the close of trading on the previous business day, provided that the applicable PIC represents it has received such orders prior to the close of the NYSE on the previous business day. The applicable PIC may aggregate separately all purchase and/or redemption orders for shares of the Portfolios that it received prior to the close of trading on the NYSE (4:00 PM Eastern Time, unless the NYSE closes earlier in which case such earlier time shall apply). The applicable PIC will not aggregate pre-4:00 PM Eastern Time trades with post-4:00 PM Eastern Time trades. The Portfolios may refuse to sell shares to any person or may suspend or terminate the offering of its shares if such action is required by law or by regulatory authorities having jurisdiction or is, in the sole discretion of the directors of the Portfolios, necessary in the best interest of the shareholders of the Portfolios. No sales charge is paid by any PIC for purchase of shares. Except where required or otherwise permitted by applicable law, redemption payments generally are made within 7 days from receipt of a request in good order. The Trust may suspend the right of redemption of shares of any Portfolio and may postpone payment for any period if any of the following conditions exist: (1) the NYSE is closed other than customary weekend and holiday closings or when trading on the NYSE is restricted; (2) the SEC has determined that a state of emergency exists which may make payment or transfer not reasonably practicable; (3) the SEC has permitted suspension of the right of redemption of shares for the protection of the shareholders of the Trust; or (4) applicable laws and regulations otherwise permit the Trust to suspend payment on the redemption of shares. Payment is made in cash, although under extraordinary conditions redemptions may be made in portfolio securities. Payment for redemptions of shares of the Portfolios may be made in portfolio securities when the Board determines that conditions exist making cash payments undesirable. In such case, redemption payments may be made in Portfolio securities. The

redeeming shareholders would incur brokerage costs in selling such securities. The Trust has elected to be governed by Rule 18f-1 under the 1940 Act, pursuant to which it is obligated to redeem shares solely in cash up to the lesser of \$250,000 or 1% of its NAV during any 90-day period for any one shareholder.

Should any conflict between Policyowners arise which would require that a substantial amount of net assets be withdrawn from a Portfolio, orderly portfolio management could be disrupted to the potential detriment of Policyowners.

Except as otherwise noted, and only through the PIC, a Policyowner may indirectly sell shares and buy shares of another Portfolio, also known as a transfer or an exchange privilege.

## **Shareholder Communications**

Policyowners will receive, from the PICs, financial statements of the Portfolios as required under the 1940 Act. Each report shows the investments owned by the Portfolios and the market values thereof and provides other information about the Trust and its operations.

## **Net Asset Value (NAV)**

The NAV of each class of the shares of a Portfolio is the value of the assets of that class, less the liabilities of that class, divided by the total number of outstanding shares of that class. For example, if on a particular day a Portfolio owned securities worth \$100 and held cash of \$15, the total value of the assets would be \$115. If it had a liability of \$5, the NAV would be \$110 (\$115 minus \$5). If it had 11 shares outstanding, the NAV of one share would be \$10 (\$110 divided by 11).

In the calculation of the NAV of a Pathfinder Portfolio or a Managed Volatility Portfolio, the shares of the Underlying Funds held by the Portfolio are valued at their respective NAVs per share.

The NAV and offering price per share of a Portfolio ordinarily are computed once on each day that the NYSE is open for trading as of the later of the close of the regular session of the NYSE, 4:00 PM Eastern Time, or the close of the regular session of any other securities or commodities exchange on which an option or futures contract held by a Portfolio is traded. The NYSE annually announces the days on which it will not be open for trading. The most recent announcement indicates that the NYSE will not be open on the following days: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. However, it is possible that the NYSE may close on other days.

The NAV per share of a Portfolio (other than Ivy VIP Government Money Market) likely will change every business day, since typically the value of the assets and the number of shares outstanding change every business day. Ivy VIP Government Money Market is designed so that the value of each share of the Portfolio (the NAV per share) will remain fixed at \$1.00 per share, except under extraordinary circumstances, although there is no assurance that the fund will be successful in meeting this objective.

## **Valuation — General**

Listed securities generally are valued at their closing price on the principal securities exchange on which the security is traded. Certain foreign exchanges may continue to trade after the close of the NYSE; in such cases, prices for securities primarily traded on these exchanges will be taken at the close of the NYSE.

Stocks ordinarily are valued by the primary pricing service as set forth in the Portfolios' Valuation Procedures. If a price from the primary pricing service is not available, the next pricing service will be utilized in the order set forth in the Valuation Procedures. In the event a price is not available from any of the approved pricing services, a price will be sought from an exchange.

Fixed-income securities, including bonds, foreign bonds, convertible bonds, government securities and mortgage-backed securities ordinarily are valued at the bid price provided by the primary pricing service as set forth in the Valuation Procedures, while municipal bonds are valued at the mean price. Loans also are valued at the bid price provided by the



primary pricing service as set forth in the Valuation Procedures. If a price from the primary pricing service is not available, the next pricing service will be utilized in the order set forth in the Valuation Procedures. In the event a price is not available from any of the approved pricing services set forth in the Valuation Procedures, a price will be sought from a broker-dealer. In the event no pricing service price is available and no broker-dealer quote is available, or in the case where a price is available from a pricing service but deemed unreliable, the Valuation Committee will fair value the security pursuant to the Valuation Procedures.

Listed options contracts and OTC options ordinarily are valued, as of the valuation time, at the mean of the bid and ask price as provided by the primary pricing service set forth in the Valuation Procedures. If a price from the primary pricing service is not available, the next pricing service will be utilized in the order set forth in the Valuation Procedures. In the event a price for listed or OTC options is not available from any of the approved pricing services listed in the Valuation Procedures, a price is sought from a broker-dealer. In the event a price is not available from any approved pricing service or from a broker-dealer, the Valuation Committee will fair value the option pursuant to the Valuation Procedures.

Futures contracts will be valued at the settlement price as provided by the primary pricing service set forth in the Valuation Procedures. In the event a price is not available from the primary pricing service, the next pricing service will be utilized in the order set forth in the Valuation Procedures. In the event a price is not available from any of the approved pricing services listed in the Valuation Procedures, a price will be sought from an exchange.

Swaps, including but not limited to credit default swaps and interest rate swaps, are valued at the price provided by the primary pricing service set forth in the Valuation Procedures. In the event a price is not available from the primary pricing service, the next pricing service will be utilized in the order set forth in the Valuation Procedures. If a price is not available from any of the approved pricing services set forth in the Valuation Procedures, a price will be sought from a broker-dealer. If a price is available from a pricing service but deemed unreliable based on variance checks conducted by IICO's Fund Accounting department, the Valuation Committee will fair value the security pursuant to the Valuation Procedures.

Foreign currency exchange rates ordinarily are provided by the primary pricing service set forth in the Valuation Procedures. In the event a foreign currency exchange rate is not available from the primary pricing service, the next pricing service will be utilized in the order set forth in the Valuation Procedures. In the event a foreign currency exchange rate is not available from any of the approved pricing services set forth in the Valuation Procedures, or in the event any foreign currency exchange rate is deemed inaccurate by the Valuation Committee, a bid and offer will be sought from one or more broker-dealers. The mean of the bid(s) and offer(s) will be used to calculate the applicable foreign currency exchange rate.

Precious metals will be valued at the last traded spot price for the appropriate metal by the primary pricing service immediately prior to the Valuation Time set forth in the Valuation Procedures. If a spot price is not available from the primary pricing service, the next pricing service will be utilized in the order set forth in the Valuation Procedures.

When a Portfolio believes a reported market price for a security does not reflect the amount the Portfolio would receive on a current sale of that security, the Portfolio may substitute for the market price a fair-value determination made according to procedures approved by the Board. A Portfolio also may use these procedures to value certain types of illiquid securities. Fair value pricing generally will be used by a Portfolio if the exchange on which a portfolio security is traded closes early or if trading in a particular security is halted during the day and does not resume prior to the time the Portfolio's NAV is calculated.

A Portfolio also may use these methods to value securities that trade in a foreign market if a significant event that appears likely to materially affect the value of foreign investments or foreign currency exchange rates occurs between the time that foreign market closes and the time the NYSE closes. A Portfolio that invests a portion of its assets in foreign securities also may be susceptible to a time zone arbitrage strategy in which shareholders attempt to take advantage of Portfolio share prices that may not reflect developments in foreign securities markets that occurred after the close of such market but prior to the pricing of Portfolio shares. In that case, such investments or exchange rates may be valued at their fair values as determined according to the procedures approved by the Board. Significant events include, but are not limited to,

(1) events impacting a single issuer, (2) governmental actions that affect securities in one sector, country or region, (3) natural disasters or armed conflicts affecting a country or region, and (4) significant U.S. or foreign market fluctuation.

The Portfolios have retained certain third-party pricing services (together, the Service) to assist in valuing foreign securities and other foreign investments (collectively, foreign securities) held in a Portfolio's portfolio. The Service conducts a screening process to indicate the degree of confidence, based on historical data, that the closing price in the principal market where a foreign security trades is not the current market value as of the close of the NYSE. For foreign securities where WISC, in accordance with procedures adopted by the Board, believes, at the approved degree of confidence, that the price is not reflective of current market price, WISC may use the indication of fair value from the Service to determine the fair value of the foreign security. The Service, the methodology or the degree of certainty may change from time to time. The Board regularly reviews, and WISC regularly monitors and reports to the Board, the Service's pricing of a Portfolio's foreign securities, as applicable.

Fair valuation has the effect of updating security prices to reflect market value based on, among other things, the recognition of a significant event — thus potentially alleviating arbitrage opportunities with respect to Portfolio shares. Another effect of fair valuation is that a Portfolio's NAV will be subject, in part, to the judgment of the Board or its designee instead of being determined directly by market prices. When fair value pricing is applied, the prices of securities used by a Portfolio to calculate its NAV may differ from quoted or published prices for the same securities, and therefore, a shareholder purchasing or redeeming shares on a particular day might pay or receive more or less than would be the case if a security were valued differently. It also may affect all shareholders in that if Portfolio assets were paid out differently due to fair value pricing, all shareholders will be impacted incrementally. There is no assurance, however, that fair value pricing will more accurately reflect the value of a security on a particular day than the market price of such security on that day or that it will prevent or alleviate the impact of market timing activities. For a description of market timing activities, please see *Market Timing Policy* in the Prospectus.

## **Valuation — Ivy VIP Government Money Market and Money Market Instruments**

Ivy VIP Government Money Market operates under Rule 2a-7, which permits it to value its portfolio securities on the basis of amortized cost, provided it meets certain conditions. The amortized cost method of valuation is accomplished by valuing a security at its cost and thereafter assuming a constant amortization rate to maturity of any discount or premium, and does not reflect the impact of fluctuating interest rates on the market value of the security. This method does not take into account unrealized gains or losses.

While the amortized cost method provides some degree of certainty in valuation, there may be periods during which value, as determined by amortized cost, is higher or lower than the price the Portfolio would receive if it sold the instrument. During periods of declining interest rates, the daily yield on the Portfolio's shares may tend to be higher than a like computation made by a fund with identical investments utilizing a method of valuation based upon market prices and estimates of market prices for all of its portfolio instruments and changing its dividends based on these changing prices. Thus, if the use of amortized cost by the Portfolio resulted in a lower aggregate portfolio value on a particular day, a prospective investor in the Portfolio's shares would be able to obtain a somewhat higher yield than would result from investment in such a fund, and existing investors in the Portfolio's shares would receive less investment income. The converse would apply in a period of rising interest rates.

Under Rule 2a-7, the Board has established procedures designed to stabilize, to the extent reasonably possible, the Portfolio's price per share as computed for the purpose of sales and redemptions at \$1.00. Those procedures include review of the Portfolio holdings by the Board at such intervals as it may deem appropriate and at such intervals as are reasonable in light of current market conditions to determine whether the Portfolio's NAV calculated by using available market quotations or an appropriate substitute that reflects current market conditions (market valuation) deviates from the per share value based on amortized cost.

Under Rule 2a-7, if the extent of any deviation between the NAV per share based upon available market valuation and the NAV per share based on amortized cost exceeds one-half of 1%, the Board must promptly consider what action, if any, will be initiated. When the Board believes that the extent of any deviation may result in material dilution or other unfair

results to investors or existing shareholders, it is required to take such action as it deems appropriate to eliminate or reduce to the extent reasonably practicable such dilution or unfair results. Such actions could include the sale of portfolio securities prior to maturity to realize capital gains or losses or to shorten average portfolio maturity, withholding dividends or distributions from capital or net realized capital gains (if any), redemptions of shares in kind, establishing a NAV per share using available market quotations, or suspending redemption of Ivy VIP Government Money Market's shares and liquidating the Portfolio.

## TAXATION OF THE PORTFOLIOS

### General

Shares of the Portfolios are offered only to PICs' separate accounts that fund Policies (Separate Accounts). See the applicable Policy prospectus for a discussion of the special taxation of insurance companies with respect to Separate Accounts and of the Policyowners.

Each Portfolio is treated as a separate corporation for federal tax purposes. Each Portfolio has qualified since its inception for treatment as a RIC under the Code, and each intends to continue to qualify for that treatment so that it is relieved of federal income tax on that part of its investment company taxable income (consisting generally of net taxable investment income, the excess of net short-term capital gain over net long-term capital loss, and, for each Portfolio other than Ivy VIP Government Money Market, the Pathfinder Portfolios and the Managed Volatility Portfolios, net gains and losses from certain foreign currency transactions, all determined without regard to any deduction for dividends paid) and net capital gain (that is, the excess of net long-term capital gain over net short-term capital loss) that it distributes to its shareholders. To continue to qualify for treatment as a RIC, a Portfolio must distribute to its shareholders for each taxable year at least 90% of the sum of its investment company taxable income and 90% of its net tax-exempt income, if any, including, for purposes of satisfying this distribution requirement, certain distributions made by the Portfolio after the close of its taxable year that are treated as made during such taxable year. For each Portfolio, these requirements include the following:

- (1) the Portfolio must derive at least 90% of its gross income each taxable year from (a) dividends, interest, payments with respect to securities loans, and gains from the sale or other disposition of securities or foreign currencies, or other income (including gains from options, futures contracts, or forward currency contracts) derived with respect to its business of investing in securities or those currencies (collectively, Qualifying Income) and (b) net income from an interest in a QPTP (Income Requirement); and
- (2) at the close of each quarter of the Portfolio's taxable year, (a) at least 50% of the value of its total assets must be represented by cash and cash items, U.S. government securities, securities of other RICs and other securities that are limited, in respect of any one issuer, to an amount that does not exceed 5% of the value of the Portfolio's total assets and that does not represent more than 10% of the issuer's outstanding voting securities (equity securities of QPTPs being considered voting securities for these purposes) (50% Diversification Requirement), and (b) not more than 25% of the value of its total assets may be invested in (i) the securities (other than U.S. government securities or the securities of other RICs) of any one issuer, (ii) the securities (other than securities of other RICs) of two or more issuers the Portfolio controls that are determined to be engaged in the same, similar, or related trades or businesses, or (iii) the securities of one or more QPTPs (collectively, RIC Diversification Requirements).

The gains that a Portfolio derives from investments in options or futures contracts on gold that are made for the purpose of hedging the Portfolio's investment in securities of companies in the businesses of mining, processing, producing, exploring for, refining, or selling gold generally constitute Qualifying Income. However, direct investments by a Portfolio in precious metals, structured notes linked to precious metals or options or futures contracts on precious metals made for non-hedging purposes would have adverse tax consequences for the Portfolio and its shareholders if it either (1) derived more than 10% of its gross income in any taxable year from the disposition of such metals, notes, options, and futures contracts and from other non-Qualifying Income and thus failed to satisfy the Income Requirement or (2) held such metals, notes, options, and futures contracts in such quantities that it failed to satisfy the 50% Diversification Requirement. (See also *Ivy VIP Asset Strategy — Investment in the Subsidiary* below.) Each Portfolio that invests in such

metals, notes, options or futures contracts intends to manage or continue to manage its holdings thereof so as to avoid failing to satisfy those requirements for these reasons.

A Portfolio will be able to cure a failure to satisfy any of the Income and RIC Diversification Requirements under the RIC Modernization Act of 2010 (the Modernization Provisions) as long as the failure “is due to reasonable cause and not due to willful neglect” and the Portfolio pays a deductible tax calculated in accordance with those provisions and meets certain other requirements.

A Portfolio may invest in one or more wholly-owned foreign or domestic subsidiaries as special purpose entities to hold certain investments that, if held directly by the Portfolio, might not generate Qualifying Income. Any such domestic special purpose entity likely would be subject to federal income tax, resulting in a reduced after-tax yield on the investment return of the assets held by it, as compared with a direct investment by the Portfolio in such assets. Moreover, income and gains generated by a Portfolio's foreign wholly-owned subsidiary would be treated as constructively earned by the Portfolio each taxable year, thus resulting in the Portfolio's having to make larger taxable distributions to its shareholders attributable to that income. See *Ivy VIP Asset Strategy — Investment in the Subsidiary* below.

Each Portfolio intends to continue to comply for its current and future taxable years with the diversification requirements imposed on the Separate Accounts by section 817(h) of the Code and the regulations thereunder (collectively, section 817(h) Diversification Requirements). These requirements, which are in addition to the RIC Diversification Requirements and the diversification requirements imposed on the Portfolios by the 1940 Act, place certain limitations on the assets of each Separate Account — and, because section 817(h) and those regulations treat the assets of each Portfolio as assets of the related Separate Account, of each Portfolio — that may be invested in securities of a single issuer.

Specifically, the regulations provide that, except as permitted by the safe harbor described below in this paragraph, as of the end of each calendar quarter or within 30 days thereafter, no more than 55% of the value of a Separate Account's total assets may be represented by any one investment, no more than 70% thereof by any two investments, no more than 80% thereof by any three investments, and no more than 90% thereof by any four investments. For this purpose, all securities of the same issuer are considered a single investment, and while each U.S. government agency and instrumentality is considered a separate issuer, a particular foreign government and its agencies, instrumentalities, and political subdivisions all are considered the same issuer. Furthermore, each Separate Account, instead of treating its investment in a Pathfinder Portfolio or a Managed Volatility Portfolio as a single investment, will treat a proportionate part of the assets of each such Portfolio in which it invests — which it will treat as consisting of a proportionate part of the assets of each Underlying Fund in which that Portfolio invests (so long as the Underlying Fund satisfies the Section 817(h) Diversification Requirements) — as its own assets for purposes of determining whether that Separate Account satisfies those requirements. In addition, section 817(h) provides, as a safe harbor, that a Separate Account will be treated as being adequately diversified if the RIC Diversification Requirements are satisfied and no more than 55% of the value of the account's total assets are cash and cash items, government securities, and securities of other RICs. Failure of a Portfolio to satisfy the Section 817(h) Diversification Requirements would result in taxation of the PICs and treatment of the Policyowners other than as described in the prospectuses for the Policies.

If any Portfolio failed to qualify for treatment as a RIC for any taxable year, (1) it would be taxed as an ordinary corporation on the full amount of its taxable income for that year (even if it distributed that income to its shareholders) and (2) more importantly, each Separate Account invested therein would fail to satisfy the section 817(h) Diversification Requirements, with the result that the Policies supported by that account would no longer be eligible for tax deferral. In addition, the Portfolio could be required to recognize unrealized gains, pay substantial taxes and interest, and make substantial distributions before requalifying for RIC treatment.

**Pathfinder Portfolios and Managed Volatility Portfolios.** Each Pathfinder Portfolio and Managed Volatility Portfolio invests primarily in shares of Underlying Funds (and in the case of the Managed Volatility Portfolios, certain derivative instruments) and also may invest in U.S. government securities, commercial paper, and other short-term corporate obligations and money market instruments. Accordingly, such Portfolio's income will consist of dividends and other distributions it receives from the Underlying Funds in which it invests, net gains it realizes from the disposition of those Underlying Funds' shares and other securities, and interest it earns. If an Underlying Fund qualifies for tax treatment as a RIC (and each Underlying Fund has done so for each of its past taxable years and intends to continue to do



so for its current and future taxable years), then: (1) dividends paid to a Pathfinder Portfolio or a Managed Volatility Portfolio from the Underlying Fund's investment company taxable income will be taxable to the Portfolio as ordinary income to the extent of the Underlying Fund's earnings and profits and (2) distributions paid to such Portfolio from the Underlying Fund's net capital gain will be taxable to the Portfolio as long-term capital gain, regardless of how long the Portfolio has held the Underlying Fund's shares. If a Pathfinder Portfolio or a Managed Volatility Portfolio qualifies for treatment as a RIC, these tax consequences will have little impact, because, as noted in the Prospectus, each such Portfolio intends to distribute substantially all its net investment income and net capital gains each taxable year and thus will pay no federal income tax on the dividends, other distributions, and gains it receives and realizes and distributes.

## **Ivy VIP Asset Strategy – Investment in the Subsidiary**

Ivy VIP Asset Strategy (referred to in this sub-section as the Portfolio) has invested, and may from time to time continue to invest, part of its assets (but not more than 10% of the value of its total assets as of the end of any quarter of its taxable year) in the Subsidiary, which is classified as a corporation for federal tax purposes. A foreign corporation, such as the Subsidiary, generally is not subject to federal income taxation except for income that is effectively connected with its conduct of a trade or business within the United States. It is expected that the Subsidiary will conduct its activities in a manner so as to meet the requirements of a safe harbor under section 864(b)(2) of the Code (Safe Harbor) pursuant to which the Subsidiary, provided it is not a dealer in stocks, securities, or commodities, may engage in the following activities without being deemed to be engaged in a U.S. trade or business: trading, for its own account, in (1) stocks or securities (including contracts to buy or sell securities); and (2) commodities that are "of a kind customarily dealt in on an organized commodity exchange and if the transaction is of a kind customarily consummated at such place." Thus, the Subsidiary's commodities and securities trading activities, if any, should not constitute engaging in a U.S. trade or business. However, if certain of the Subsidiary's activities were determined not to be of the type described in the Safe Harbor or if the Subsidiary's gains were attributable to investments in securities that constitute U.S. real property interests (which is not expected), then its activities may be considered to constitute engaging in a U.S. trade or business.

A U.S. person who owns (directly, indirectly or constructively) 10% or more of the total combined voting power of all classes of voting stock of a foreign corporation is a "United States shareholder" for purposes of the controlled foreign corporation (CFC) provisions of the Code (commonly referred to as "subpart F"). A foreign corporation is a CFC if, on any day of its taxable year, more than 50% of the voting power or value of its stock is owned (directly, indirectly or constructively) by United States shareholders. Because the Portfolio owns all the stock in the Subsidiary, the Portfolio is a United States shareholder thereof and the Subsidiary is a CFC. As a United States shareholder, the Portfolio is required to include in its gross income for federal income tax purposes for each taxable year the Subsidiary's "subpart F income" (defined, in part, below) for the Subsidiary's taxable year that ends with or within the Portfolio's taxable year, whether or not such income is distributed by the Subsidiary; it is expected that all of the Subsidiary's income will be subpart F income. Subpart F income generally includes interest, OID, dividends, net gains from the disposition of securities, net gains from transactions (including futures, forward contracts, and similar transactions) in any commodities (with certain exceptions), certain foreign currency gains, receipts with respect to securities loans, and net payments received with respect to futures contracts. The Portfolio's inclusion in its gross income of the Subsidiary's subpart F income will increase the Portfolio's tax basis in its stock in the Subsidiary by the amount of that included income. Distributions by the Subsidiary to the Portfolio will be tax-free to the extent of its previously undistributed subpart F income and, correspondingly, will reduce the Portfolio's tax basis in the Subsidiary's stock. Subpart F income generally is treated as ordinary income, regardless of the character of the Subsidiary's income.

As noted above, to continue to qualify as a RIC, the Portfolio must derive at least 90% of its gross income each taxable year from Qualifying Income. The Portfolio has received, and is relying on, an opinion of counsel, which is not binding on the IRS or the courts, that income the Portfolio receives from the Subsidiary should constitute Qualifying Income. However, if the IRS were to determine that the Portfolio's income from the Subsidiary was not considered Qualifying Income, and that determination was upheld by the courts, then the Portfolio — despite the opinion of counsel — might be unable to qualify as a RIC. In addition, it is possible that future tax legislation, regulations and/or further guidance issued by the IRS may affect the character, timing and/or amount of the Portfolio's taxable income or capital gains and distributions it makes, which in turn may adversely affect the Portfolio and its shareholders. Applicable income tax regulations confirm that such income will be treated as Qualifying Income if the Portfolio receives a distribution out of the Subsidiary's earnings and profits, which is the practice the Subsidiary and the Portfolio follow.



Such regulations also permit the Portfolio to treat deemed inclusions of “Subpart F” income from the Subsidiary (which includes passive income such as income from commodity-linked derivatives) as Qualifying Income, even if the Subsidiary does not make a distribution of such income. Consequently, despite the current practice of the Portfolio and the Subsidiary making distributions out of the Subsidiary’s earnings and profits, the Portfolio and the Subsidiary reserve the right to change such practice and rely on deemed inclusions of “Subpart F” income from the Subsidiary being treated as Qualifying Income to the Portfolio, consistent with applicable income tax regulations. There can be no assurance that there will not be changes in federal tax or other law that might adversely affect the Portfolio's investment in the Subsidiary.

Accordingly, the extent to which a Portfolio directly invests in commodities or commodity-linked derivatives may be limited by the requirements to maintain its status as a RIC. If a Portfolio does not appropriately limit such investments, or if such investments (or the income earned on such investments) were to be recharacterized for U.S. tax purposes, the Portfolio could fail to qualify as a RIC for one or more taxable years. If the Portfolio failed to so qualify for any taxable year but was eligible to and did cure the failure pursuant to the Modernization Provisions, it would incur potentially significant federal income tax expense. If, on the other hand, the Portfolio failed to so qualify for any taxable year and was ineligible to or otherwise did not cure the failure, it would be subject to federal income tax on its taxable income at the corporate income tax rate, with the consequence that its income available for distribution to shareholders would be reduced. More importantly, as noted above, each Separate Account invested in the Portfolio would fail to satisfy the Section 817(h) Diversification Requirements, with the result that the Policies supported by that account would no longer be eligible for tax deferral. In that event, the Board may authorize a significant change in investment strategy or the Portfolio's liquidation.

## **Taxation of Particular Investments**

Because each Pathfinder Portfolio and Managed Volatility Portfolio invests primarily in shares of Underlying Funds, the following discussion not only refers to the Underlying Funds and other Portfolios but also applies to any direct investments that a Pathfinder Portfolio or a Managed Volatility Portfolio makes.

## **Income from Foreign Securities**

Dividends and interest a Portfolio receives, and gains it realizes, on foreign securities may be subject to income, withholding, or other taxes imposed by foreign countries and U.S. possessions (collectively, “foreign taxes”) that would reduce the yield and/or total return on its securities. Tax conventions between certain countries and the United States may reduce or eliminate foreign taxes, however, and many foreign countries do not impose taxes on capital gains in respect of investments by foreign investors.

Subject to its investment policies and restrictions, a Portfolio may invest in the stock of passive foreign investment companies (PFICs). A PFIC is any foreign corporation (with certain exceptions, including, in the case of Ivy VIP Asset Strategy, the Subsidiary) that, in general, meets either of the following tests for a taxable year: (1) at least 75% of its gross income is passive or (2) an average of at least 50% of its assets produce, or are held for the production of, passive income. Whether a foreign corporation is a PFIC is a fact-intensive determination that is based on various facts and circumstances that may change from time to time, and the principles and methodology used in determining whether a foreign corporation is a PFIC are subject to interpretation. It is possible that a Portfolio could invest in a foreign corporation that becomes, or is determined to be, a PFIC after the Portfolio makes the investment.

Under certain circumstances, a Portfolio will be subject to federal income tax on a portion of any “excess distribution” it receives on the stock of a PFIC or of any gain on disposition of the stock (collectively, “PFIC income”), plus interest thereon, even if the Portfolio distributes the PFIC income as a dividend to its shareholders. The balance of the PFIC income will be included in the Portfolio's investment company taxable income and, accordingly, will not be taxable to it to the extent it distributes that income to its shareholders. To avoid the foregoing tax and interest obligation, a Portfolio might make a “qualified electing fund” (QEF) or “marked-to-market” election.

## **Income from REITs**

Subject to its investment policies and restrictions, certain Portfolios may invest in REITs that (1) hold residual interests in real estate mortgage investment conduits (REMICs) or (2) engage in mortgage securitization transactions that cause the REITs to be taxable mortgage pools (TMPs) or have a qualified REIT subsidiary that is a TMP. A portion of the net income allocable to REMIC residual interest holders may be “excess inclusion income.” The Code authorizes the issuance of regulations dealing with the taxation and reporting of excess inclusion income; however, those regulations have not yet been issued.

The Treasury and the IRS issued a notice in 2006 (Notice) announcing that, pending the issuance of further guidance, the IRS would apply the principles in the following paragraphs to all excess inclusion income, whether from REMIC residual interests or TMPs. The Notice provides that a REIT must (1) determine whether it or its qualified REIT subsidiary (or a part of either) is a TMP and, if so, calculate the TMP’s excess inclusion income under a “reasonable method,” (2) allocate its excess inclusion income to its shareholders generally in proportion to dividends paid, (3) inform shareholders that are not “disqualified organizations” (that is, governmental units and tax-exempt entities that are not subject to tax on their unrelated business taxable income (UBTI)) of the amount and character of the excess inclusion income allocated thereto, (4) pay tax (at the highest federal income tax rate imposed on corporations) on the excess inclusion income allocated to its disqualified organization shareholders, and (5) apply the withholding tax provisions with respect to the excess inclusion part of dividends paid to foreign persons without regard to any treaty exception or reduction in tax rate. Excess inclusion income allocated to certain tax-exempt entities (including public charities) constitutes UBTI to them.

A RIC with excess inclusion income is subject to rules identical to those in clauses (2) through (5) (substituting “that are nominees” for “that are not ‘disqualified organizations’” in clause (3) and inserting “record shareholders that are” after “its” in clause (4)). The Notice further provides that a RIC is not required to report the amount and character of the excess inclusion income allocated to its shareholders that are not nominees, except that (1) a RIC with excess inclusion income from all sources that exceeds 1% of its gross income must do so and (2) any other RIC must do so by taking into account only excess inclusion income allocated to the RIC from REITs the excess inclusion income of which exceeded 3% of its dividends. No Portfolio will invest directly in REMIC residual interests or intends to invest in REITs that, to its knowledge, invest in those interests or are TMPs or have a qualified REIT subsidiary that is a TMP.

## **Income from Zero Coupon Bonds and PIK Securities**

Subject to its investment policies and restrictions, certain of the Portfolios may acquire zero coupon bonds or other securities issued with OID. As a holder of those securities, a Portfolio must include in its gross income (or take into account, in the case of OID on tax-exempt securities) the OID that accrues on the securities during the taxable year, even if it receives no corresponding payment on them during the year. Similarly, a Portfolio must include in its gross income each taxable year securities it receives as “interest” on PIK securities. Because each Portfolio annually must distribute (1) substantially all of its investment company taxable income, including any accrued OID and other non-cash income, to avoid imposition of the Excise Tax and (2) substantially all of the sum of that income and its net tax-exempt income (including any tax-exempt OID) to satisfy the Distribution Requirement, it may be required in a particular year to distribute as a dividend an amount that is greater than the total amount of cash it actually receives. Those distributions will be made from a Portfolio’s cash assets or from the proceeds of sales of its portfolio securities, if necessary. A Portfolio may realize capital gains or losses from those sales, which would increase or decrease its investment company taxable income and/or net capital gain.

## **Income from Financial Instruments and Foreign Currencies**

The use of hedging and option income strategies, such as writing (selling) and purchasing options and futures contracts and entering into forward currency contracts, involves complex rules that will determine for income tax purposes the amount, character and timing of recognition of the gains and losses a Portfolio realizes in connection therewith. Gains from the disposition of foreign currencies (except certain gains that may be excluded by future regulations), and gains from options, futures contracts and forward currency contracts a Portfolio derives with respect to its business of investing in securities or foreign currencies, will be treated as Qualifying Income. Each Portfolio will monitor its transactions, make

appropriate tax elections, and make appropriate entries in its books and records when it acquires any Financial Instrument to mitigate the effect of these rules, prevent its disqualification as a RIC, and minimize the imposition of federal income tax.

A Portfolio's need to satisfy the Income Requirement and the RIC Diversification Requirements to qualify for treatment as a RIC may limit its ability to engage in certain swap agreements and derivatives transactions. Moreover, the rules governing the tax treatment of swap agreements are not entirely clear in certain respects. For example, the tax treatment of a payment made or received under a swap agreement in particular, whether such a payment is, wholly or partially, ordinary income or capital gain will vary depending on the terms of the particular agreement. The tax treatment of swap agreements and other derivatives also may be affected by future legislation, regulations, and/or guidance issued by the IRS. While each Portfolio intends to account for swap agreements in a manner it considers to be appropriate under applicable tax rules, the IRS might not accept that treatment. If it did not, a Portfolio's status as a RIC might be affected. The Portfolios intend to monitor developments in this area.

Certain futures contracts, foreign currency contracts and “non-equity” options (that is, certain listed options, such as those on a “broad-based” securities index) — but excluding any “securities futures contract” that is not a “dealer securities futures contract” (both as defined in the Code) and any interest rate cap or floor, interest rate or certain other swap, or similar agreement — in which a Portfolio may invest will be “Section 1256 contracts.” Section 1256 contracts a Portfolio holds at the end of its taxable year, other than contracts subject to a “mixed straddle” election the Portfolio may make, are marked to market (that is, treated as sold at that time for their fair market value) for federal income tax purposes, with the result that unrealized gains or losses are treated as though they were realized. Sixty percent of any net gains or losses recognized on these deemed sales, and 60% of any net realized gains or losses from any actual sales of Section 1256 contracts, are treated as long-term capital gains or losses, and the balance is treated as short-term capital gains or losses. Section 1256 contracts also are marked-to-market at the end of October of each year for purposes of the Excise Tax. A Portfolio may need to distribute any net marked-to-market gains as of the end of its taxable year to its shareholders to satisfy the Distribution Requirement (*i.e.*, with respect to the portion treated as short-term capital gain, which will be includible in its investment company taxable income, and thus taxable to its shareholders as ordinary income when distributed to them). These rules also may operate to increase the net capital gain a Portfolio recognizes, even though it may not have closed the transactions and received cash to pay distributions of that gain.

Under Code Section 988, a gain or loss (1) from the disposition of foreign currencies, (2) except in certain circumstances, from options, futures, and forward contracts on foreign currencies (and on financial instruments involving foreign currencies) and from notional principal contracts (*e.g.*, swaps, caps, floors, and collars) involving payments denominated in foreign currencies, (3) on the disposition of each foreign-currency-denominated debt security that are attributable to fluctuations in the value of the foreign currency between the dates of acquisition and disposition of the security, and (4) that is attributable to exchange rate fluctuations between the time a Portfolio accrues interest, dividends, or other receivables or expenses or other liabilities denominated in a foreign currency and the time it actually collects the receivables or pays the liabilities generally will be treated as ordinary income or loss. These gains or losses will increase or decrease the amount of a Portfolio's investment company taxable income, rather than affecting the amount of its net capital gain. (Note, however, that under certain circumstances, a Portfolio may make an election to treat foreign currency gain or loss on certain forward contracts, futures contracts and options as capital gain or loss). If a Portfolio's Section 988 losses (other than those to which such an election applies) exceed its other investment company taxable income for a taxable year, the Portfolio would not be able to distribute any dividends.

Offsetting positions a Portfolio enters into or holds in any actively traded security, option, futures, or forward currency contract may constitute a “straddle” for federal income tax purposes. Straddles are subject to certain rules that may affect the amount, character, and timing of recognition of a Portfolio's gains and losses with respect to positions of the straddle by requiring, among other things, that (1) loss realized on disposition of one position of a straddle be deferred to the extent of any unrealized gain in an offsetting position until the latter position is disposed of, (2) the Portfolio's holding period for certain straddle positions not begin until the straddle is terminated (possibly resulting in gain being treated as short-term rather than long-term capital gain), and (3) losses recognized with respect to certain straddle positions, that otherwise would constitute short-term capital losses, be treated as long-term capital losses. Applicable regulations also provide certain “wash sale” rules, which apply to transactions where a position is sold at a loss and a new offsetting position is acquired within a prescribed period, and “short sale” rules applicable to straddles. Different elections are

available to the Portfolios, which may mitigate the effects of the straddle rules, particularly with respect to “mixed straddles” (i.e., a straddle of which at least one, but not all, positions are section 1256 contracts).

The premium a Portfolio receives for writing (selling) a put or call option is not included in income at the time of receipt. When a covered call option written (sold) by a Portfolio expires, it will realize a short-term capital gain equal to the amount of the premium it received for writing the option. When a Portfolio terminates its obligations under such an option by entering into a closing transaction, it will realize a short-term capital gain (or loss), depending on whether the cost of the closing transaction is less (or more) than the premium it received when it wrote the option. When a covered call option written by a Portfolio is exercised, it will be treated as having sold the underlying security, producing long-term or short-term capital gain or loss, depending on the holding period of the underlying security and whether the sum of the option price it receives on the exercise plus the premium it received when it wrote the option is more or less than the underlying security's basis.

\* \* \* \* \*

The foregoing is an abbreviated summary of certain federal income tax considerations affecting each Portfolio and its shareholders. The discussion does not purport to be complete or to deal with all aspects of federal income taxation that may be relevant to the Portfolios or the Separate Accounts. It is based on current provisions of the Code, the regulations promulgated thereunder, judicial decisions, and administrative pronouncements, all of which are subject to change (which has occurred frequently in recent years), some of which may be retroactive. Prospective investors are urged to consult their own tax advisor for more detailed information and for information regarding other federal tax considerations and any state, local or foreign taxes that may apply to them.

## FINANCIAL STATEMENTS

The Portfolios' audited Financial Statements and Financial Highlights, including notes thereto, and the report of Deloitte & Touche LLP, the Portfolios' Independent Registered Public Accounting Firm for the fiscal year ended December 31, 2020, are incorporated herein by reference. They are contained in the Portfolios' Annual Report to Shareholders, dated December 31, 2020, which is available upon request. The Board has selected PricewaterhouseCoopers LLP, located at 2001 Market Street, Philadelphia, PA 19103, to serve as the current Independent Registered Public Accounting Firm for the Portfolios.

## PORTFOLIO HOLDINGS DISCLOSURE

Portfolio holdings may be found at [www.ivyinvestments.com](http://www.ivyinvestments.com). Alternatively, a complete schedule of portfolio holdings of each Portfolio for the first and third quarters of each fiscal year is filed with the SEC and can be found as an exhibit to the Trust's Form N-PORT. These holdings also may be viewed on the SEC's website at <http://www.sec.gov>.

Information concerning Ivy VIP Government Money Market's portfolio holdings as of the last business day or subsequent calendar day of the preceding month is posted at [www.ivyinvestments.com](http://www.ivyinvestments.com), 5 business days after the end of each month and remains posted on the website for at least six months thereafter. In addition, information concerning Ivy VIP Government Money Market's portfolio holdings is filed on a monthly basis with the SEC on Form N-MFP.

## APPENDIX A

The following are descriptions of some of the ratings of securities in which a Portfolio may invest. IICO also may use ratings provided by other NRSROs in determining the eligibility of securities for the Portfolios.

### Description of Bond Ratings

**S&P Global Ratings, a division of S&P Global, Inc. (S&P).** An S&P corporate or municipal bond rating is a current assessment of the creditworthiness of an obligor with respect to a specific obligation. This assessment of creditworthiness may take into consideration obligors such as guarantors, insurers or lessees.

The debt rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment as to market price or suitability for a particular investor.

The ratings are based on current information furnished to S&P by the issuer or obtained by S&P from other sources it considers reliable. S&P does not perform any audit in connection with any ratings and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

A brief description of the applicable S&P rating symbols and their meanings follow:

**AAA** — An obligation rated ‘AAA’ has the highest rating assigned by S&P. The obligor’s capacity to meet its financial commitment on the obligation is extremely strong.

**AA** — An obligation rated ‘AA’ differs from the highest-rated obligations only to a small degree. The obligor’s capacity to meet its financial commitment on the obligation is very strong.

**A** — An obligation rated ‘A’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor’s capacity to meet its financial commitment on the obligation is still strong.

**BBB** — An obligation rated ‘BBB’ exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

**BB; B; CCC; CC; and C** — Obligations rated ‘BB’, ‘B’, ‘CCC’, ‘CC’ and ‘C’ are regarded as having significant speculative characteristics. ‘BB’ indicates the least degree of speculation and ‘C’ the highest. While such obligations likely will have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

**BB** — An obligation rated ‘BB’ is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor’s inadequate capacity to meet its financial commitment on the obligation.

**B** — An obligation rated ‘B’ is more vulnerable to nonpayment than obligations rated ‘BB’, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions likely will impair the obligor’s capacity or willingness to meet its financial commitment on the obligation.

**CCC** — An obligation rated ‘CCC’ is currently vulnerable to nonpayment, and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

**CC** — An obligation rated ‘CC’ is currently highly vulnerable to nonpayment. The ‘CC’ rating is used when a default has not yet occurred, but S&P expects default to be a virtual certainty, regardless of the anticipated time to default.



C — An obligation rated 'C' is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared to obligations that are rated higher.

D — An obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the due date, unless S&P believes that such payments will be made within 5 business days in the absence of a stated grace period or within the earlier of the stated grace period or 30 calendar days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation's rating is lowered to 'D' if it is subject to a distressed exchange offer.

NR — This indicates that no rating has been requested, or that there is insufficient information on which to base a rating, or that S&P does not rate a particular obligation as a matter of policy.

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

**Moody's Investors Service, Inc. (Moody's).** A brief description of the applicable Moody's rating symbols and their meanings follows:

Aaa — Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa — Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what generally are known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuations of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A — Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa — Bonds which are rated Baa are considered as medium grade obligations, that is, they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

**Note:** Bonds within the above categories which possess the strongest investment attributes are designated by the symbol 1 following the rating.

Ba — Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B — Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa — Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca — Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues often are in default or have other marked shortcomings.

C — Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

## **Description of Preferred Stock Ratings**

**S&P.** An S&P preferred stock rating is an assessment of the capacity and willingness of an issuer to pay preferred stock dividends and any applicable sinking fund obligations. A preferred stock rating differs from a bond rating inasmuch as it is assigned to an equity issue, which issue is intrinsically different from, and subordinated to, a debt issue. Therefore, to reflect this difference, the preferred stock rating symbol normally will not be higher than the debt rating symbol assigned to, or that would be assigned to, the senior debt of the same issuer.

The preferred stock ratings are based on the following considerations:

1. Likelihood of payment — capacity and willingness of the issuer to meet the timely payment of preferred stock dividends and any applicable sinking fund requirements in accordance with the terms of the obligation;
2. Nature of, and provisions of, the issue;
3. Relative position of the issue in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

**AAA** — This is the highest rating that may be assigned by S&P to a preferred stock issue and indicates an extremely strong capacity to pay the preferred stock obligations.

**AA** — A preferred stock issue rated AA also qualifies as a high-quality fixed-income security. The capacity to pay preferred stock obligations is very strong, although not as overwhelming as for issues rated AAA.

**A** — An issue rated A is backed by a sound capacity to pay the preferred stock obligations, although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

**BBB** — An issue rated BBB is regarded as backed by an adequate capacity to pay the preferred stock obligations. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to make payments for a preferred stock in this category than for issues in the 'A' category.

**BB, B, CCC** — Preferred stock rated BB, B, and CCC are regarded, on balance, as predominantly speculative with respect to the issuer's capacity to pay preferred stock obligations. BB indicates the lowest degree of speculation and CCC the highest degree of speculation. While such issues likely will have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

**CC** — The rating CC is reserved for a preferred stock issue in arrears on dividends or sinking fund payments but that is currently paying.

**C** — A preferred stock rated C is a non-paying issue.

**D** — A preferred stock rated D is a non-paying issue with the issuer in default on debt instruments.

**NR** — This indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular type of obligation as a matter of policy.

**Plus (+) or minus (-)** — To provide more detailed indications of preferred stock quality, the rating from AA to CCC may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

A preferred stock rating is not a recommendation to purchase, sell, or hold a security inasmuch as it does not comment as to market price or suitability for a particular investor. The ratings are based on current information furnished to S&P by

the issuer or obtained by S&P from other sources it considers reliable. S&P does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

**Moody's.** Because of the fundamental differences between preferred stocks and bonds, a variation of Moody's familiar bond rating symbols is used in the quality ranking of preferred stocks. The symbols are designed to avoid comparison with bond quality in absolute terms. It should always be borne in mind that preferred stock occupies a junior position to bonds within a particular capital structure and that these securities are rated within the universe of preferred stocks.

**Note:** Moody's applies numerical modifiers 1, 2 and 3 in each rating classification; the modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

Preferred stock rating symbols and their definitions are as follows:

aaa — An issue which is rated aaa is considered to be a top-quality preferred stock. This rating indicates good asset protection and the least risk of dividend impairment within the universe of preferred stocks.

aa — An issue which is rated aa is considered a high-grade preferred stock. This rating indicates that there is a reasonable assurance the earnings and asset protection will remain relatively well-maintained in the foreseeable future.

a — An issue which is rated a is considered to be an upper-medium grade preferred stock. While risks are judged to be somewhat greater than in the aaa and aa classification, earnings and asset protection are, nevertheless, expected to be maintained at adequate levels.

baa — An issue which is rated baa is considered to be a medium-grade preferred stock, neither highly protected nor poorly secured. Earnings and asset protection appear adequate at present but may be questionable over any great length of time.

ba — An issue which is rated ba is considered to have speculative elements and its future cannot be considered well assured. Earnings and asset protection may be very moderate and not well safeguarded during adverse periods. Uncertainty of position characterizes preferred stocks in this class.

b — An issue which is rated b generally lacks the characteristics of a desirable investment. Assurance of dividend payments and maintenance of other terms of the issue over any long period of time may be small.

caa — An issue which is rated caa is likely to be in arrears on dividend payments. This rating designation does not purport to indicate the future status of payments.

ca — An issue which is rated ca is speculative in a high degree and is likely to be in arrears on dividends with little likelihood of eventual payments.

c — This is the lowest rated class of preferred or preference stock. Issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

## **Description of Note Ratings**

**S&P.** An S&P note rating reflects the liquidity factors and market access risks unique to notes. Notes maturing in 3 years or less likely will receive a note rating. Notes maturing beyond 3 years will most likely receive a long-term debt rating. The following criteria will be used in making that assessment.

1. Amortization schedule (the larger the final maturity relative to other maturities, the more likely the issue is to be treated as a note).

2. Source of Payment (the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.)

The note rating symbols and definitions are as follows:

SP-1 Strong capacity to pay principal and interest. Issues determined to possess very strong characteristics are given a plus (+) designation.

SP-2 Satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.

SP-3 Speculative capacity to pay principal and interest.

**Moody's.** Moody's Short-Term Loan Ratings — Moody's ratings for state and municipal short-term obligations will be designated Moody's Investment Grade (MIG). This distinction is in recognition of the differences between short-term credit risk and long-term risk. Factors affecting the liquidity of the borrower are uppermost in importance in short-term borrowing, while various factors of major importance in bond risk are of lesser importance over the short run. Rating symbols and their meanings follow:

MIG 1 — This designation denotes best quality. There is present strong protection by established cash flows, superior liquidity support or demonstrated broad-based access to the market for refinancing.

MIG 2 — This designation denotes high quality. Margins of protection are ample although not so large as in the preceding group.

MIG 3 — This designation denotes favorable quality. All security elements are accounted for but this is lacking the undeniable strength of the preceding grades. Liquidity and cash flow protection may be narrow and market access for refinancing is likely to be less well established.

MIG 4 — This designation denotes adequate quality. Protection commonly regarded as required of an investment security is present and although not distinctly or predominantly speculative, there is specific risk.

## **Description of Commercial Paper Ratings**

**S&P.** An S&P commercial paper rating is a current assessment of the likelihood of timely payment of debt considered short-term in the relevant market. Ratings are graded into several categories, ranging from A-1 for the highest quality obligations to D for the lowest. Issuers rated A are further referred to by use of numbers 1, 2 and 3 to indicate the relative degree of safety. Issues assigned an A rating (the highest rating) are regarded as having the greatest capacity for timely payment. An A-1 designation indicates that the degree of safety regarding timely payment is strong. Those issues determined to possess extremely strong safety characteristics are denoted with a plus sign (+) designation. An A-2 rating indicates that capacity for timely payment is satisfactory; however, the relative degree of safety is not as high as for issues designated A-1. Issues rated A-3 have adequate capacity for timely payment; however, they are more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designations. Issues rated B are regarded as having only speculative capacity for timely payment. A C rating is assigned to short-term debt obligations with a doubtful capacity for payment. Debt rated D is in payment default, which occurs when interest payments or principal payments are not made on the date due, even if the applicable grace period has not expired, unless S&P believes that such payments will be made during such grace period.

**Moody's.** Moody's commercial paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of one year. Moody's employs the designations of Prime 1, Prime 2 and Prime 3, all judged to be investment grade, to indicate the relative repayment capacity of rated issuers. Issuers rated Prime 1 have a superior capacity for repayment of short-term promissory obligations and repayment capacity normally will be evidenced by (1) leading market positions in well-established industries; (2) high rates of return on funds employed; (3) conservative capitalization structures with moderate reliance on debt and ample asset protection; (4) broad margins in earnings coverage of fixed financial charges and high internal cash generation; and (5) well established access to a range of financial markets and assured sources of alternate liquidity. Issuers rated Prime 2 also have a strong capacity for repayment of short-term debt. Earnings trends and coverage ratios, while sound, will be more subject to variation;

capitalization characteristics, while still appropriate, may be more affected by external conditions; and ample alternate liquidity is maintained. Issuers rated Prime 3 have an acceptable capacity for repayment of short-term debt. The effect of industry characteristics and market composition may be more pronounced; variability in earnings and profitability may result in changes in the level of debt protection measurements and requirement for relatively high financial leverage; and adequate alternate liquidity is maintained.

## **Description of Short-Term Credit Ratings**

### **Fitch Ratings — National Short-term Credit Ratings:**

F1(xxx) — Indicates the strongest capacity for timely payment of financial commitments relative to other issuers or obligations in the same country. Under the agency's National Rating scale, this rating is assigned to the lowest default risk relative to others in the same country. Where the liquidity profile is particularly strong, a "+" is added to the assigned rating.

F2(xxx) — Indicates a good capacity for timely payment of financial commitments relative to other issuers or obligations in the same country. However, the margin of safety is not as great as in the case of the higher ratings.

F3(xxx) — Indicates an adequate capacity for timely payment of financial commitments relative to other issuers or obligations in the same country. However, such capacity is more susceptible to near-term adverse changes than for financial commitments in higher rated categories.

B(xxx) — Indicates an uncertain capacity for timely payment of financial commitments relative to other issuers or obligations in the same country. Such capacity is highly susceptible to near-term adverse changes in financial and economic conditions.

C(xxx) — Indicates a highly uncertain capacity for timely payment of financial commitments relative to other issuers or obligations in the same country. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment.

RD(xxx) — Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Applicable to entity ratings only.

D(xxx) — Indicates actual or imminent payment default.

### **Notes to Long-Term and Short-Term National Ratings:**

The ISO International Country Code is placed in parentheses immediately following the rating letters to indicate the identity of the National market within which the rating applies. For illustrative purposes, (xxx) has been used.

"+" or "-" may be appended to a National Rating to denote relative status within a major rating category. Such suffixes are not added to the 'AAA(xxx)' Long-Term National Rating category, to categories below 'CCC(xxx)', or to Short-Term National Ratings other than 'F1(xxx)'.



## **APPENDIX B**

### **Proxy Voting Policies of the Investment Subadviser**

#### **SECURIAN ASSET MANAGEMENT, INC.**

##### **GENERAL POLICY**

Securian AM has adopted policies and procedures relating to the voting of proxies (the “Proxy Voting Policies”) in connection with voting securities held in client accounts, including accounts subadvised by Securian AM, that are designed to ensure that proxies are voted in the best interests of the accounts in accordance with Securian AM’s fiduciary duties and legal and regulatory requirements.

The guiding principle by which Securian AM votes on all matters submitted to security holders is to seek the maximization of the ultimate economic value of the securities held by the accounts. This guiding principle involves not only the immediate impact of each proposal but other considerations with respect to the security of the shareholders’ investments over the long term.

The role of shareholders in corporate governance typically is limited. A majority of decisions regarding operations of the business of a corporation should be left to management’s discretion. It is Securian AM’s general policy that the shareholder should become involved with these matters when management has failed and the corporation’s performance has suffered or to protect the rights of shareholders to take action.

It is the general policy of Securian AM to vote on all matters presented to security holders in any proxy, but Securian AM reserves the right to abstain on any particular vote or otherwise withhold its vote on any matter if, in the judgment of Securian AM, the costs associated with voting such proxy outweigh the benefits to the accounts or if circumstances make such an abstention or withholding otherwise advisable and in the best interest of the accounts. There also may be situations where Securian AM cannot vote proxies.

##### **GUIDELINES AND PROXY ADVISER**

Securian AM has retained Glass Lewis & Co (“Glass Lewis”) as a proxy adviser. Securian AM will, in most cases follow proxy voting guidelines developed by Glass Lewis (the “Guidelines”). However, these Guidelines are just that — guidelines; they are not strict rules that must be obeyed in all cases. Securian AM’s Proxy Voting Policies allow it to vote shares contrary to the typical vote indicated by the Guidelines if such a vote is in an account’s best interests.

The following are several common issues and how the Guidelines address these issues.

##### **Board of Directors Issues**

The Guidelines generally support the proposition that boards are most effective if at least two thirds of board members are independent.

The Guidelines generally support proposals separating the roles of Chairman of the Board and CEO whenever that question is posed in a proxy.

The Guidelines generally do not support a vote for a director who has failed to attend a minimum of 75% of board and applicable committee meetings, calculated in the aggregate.

The Guidelines generally do not support a vote for a director who has a record of not fulfilling their responsibilities to shareholders at any company where they have held a board or executive position.

The Guidelines generally support declassifying boards and the annual election of directors.

The Guidelines generally support proposals calling for the election of directors by a majority vote, excepting contested director elections.

### **Compensation and Say-on Pay**

The Guidelines generally support a company's approach on compensation provided that the company's policies and procedures reasonably align compensation with performance and are adequately disclosed.

The Guidelines generally support annual shareholder votes on say-on pay.

### **Auditor Ratification**

The Guidelines generally support management's choice of auditor except when it is believed that the auditor's independence or audit integrity has been compromised.

The Guidelines generally support employee stock purchase plans which are within the regulatory purchase limit.

### **Governance Structure and Shareholders**

The Guidelines generally do not support shareholder rights plans (poison pills).

The Guidelines generally do not support a plan for increasing authorized shares absent a plan for the use of those shares.

The Guidelines provide for approval of cumulative voting on a case by case basis factoring in the independence of the board and the status of the company's governance structure.

The Guidelines generally do not support supermajority vote requirements.

The Guidelines support proposals to adopt a provision preventing the payment of greenmail.

### **Environmental Social and Political Issues**

The Guidelines support management in day-to-day management and policy decisions including those related to social, environmental or political issues unless the company has failed to adequately address the issues.

### **OVERSIGHT AND CONFLICTS OF INTEREST**

Securian AM has an Investment Policy Committee, responsible for overseeing Securian AM proxy voting policies, approving proxy voting policies and making voting decisions on ballots that give rise to a conflict of interest. All conflicts of interest will be resolved in the interests of the accounts.

### **BOOKS AND RECORDS**

Securian AM maintains required records and upon request provides copies of all proxy voting decisions and votes cast to the extent required by applicable law and regulations.