

ADVERTISING FEATURE

IVY ASSET STRATEGY FUND: RETHINKING MULTI-ASSET INVESTING



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COMPANY

DESCRIBE THE FUND. HOW DOES IT SEEK TO ACHIEVE EQUITY-LIKE GAINS WHILE REDUCING VOLATILITY?

The fund in its current iteration started around three years ago, and its aim is to produce equity-like returns with much less risk. In order to do so, we hone in on Ivy's strengths, global equity and global fixed income research, in order to select individual securities. That's become especially important recently as traditional mixed portfolios, such as vanilla 60/40 ETF strategies, become obsolete.

We want to be more thoughtful than that. In fact, we want to add alpha on both the equity and fixed income sides, holding the best securities, wherever they may be. We're also not afraid of investing in other assets, such as gold and commodities, or using derivatives if they add value. And we have a very flexible mandate. The fund can invest 50-80% of assets in global equities at any given time, with 20-50% in the diversifying sleeve – typically fixed income.

We want to ensure that the sum total of these assets is strong, that there's a robust portfolio with both upside and downside capture. If we can do that – and so far we have – then we're meeting our objective of equity-like returns with less volatility throughout the cycle.

YOU INVEST IN SECURITIES RATHER THAN FUNDS. WHY IS THAT?

Jeff Surlis and I work as co-portfolio managers. His speciality is fixed income and mine is in equity, so we complement each

other quite well. And we rely heavily on Ivy's global research team.

I think the strategy is fairly novel. Most multi-asset funds will invest in other funds or strategies as a kind of fund of funds. There's nothing wrong with that, but the strength of Ivy is its equity and fixed income research and ability to find alpha through security selection.

Even if we added mostly Ivy Funds, there wouldn't be the same level of detail or portfolio construction as when we invest in individual securities. Investing in funds alone is more of an allocation strategy, rather than an alpha-generating strategy through research and selection.

Investing in this detailed way also allows us to target a specific risk and volatility more easily. We're targeting expected volatility of 70-90% of the global equity market, based on the fund's benchmark, and we constantly are looking at cross-asset correlation and scenario analysis in an effort to reduce downside participation.

Every time we consider an investment, for instance, we test how it will impact the inherent risk in the portfolio. If we take more risk, we can balance that with individual securities. That gives us more flexibility to build a bespoke portfolio to achieve our goals.

HOW IS THE FUND CURRENTLY POSITIONED?

We're currently around 65% equities, with about 27% fixed income and 6% in gold. We usually only have a minimal amount of cash to account for liquidity needs. In the equity allocation, our largest overweight remains in information technology, industrials and staples in the US. That allocation has worked very well lately.

The credit side is sometimes used to

offset the equity side. For instance, we're fairly underweight European banks, which have performed terribly, but we're overweight additional tier 1 capital – a form of subordinated debt – and contingent convertible securities on European banks, which have more protection and actually offer attractive returns.

That allows us to create a diversified fund. We don't have to underweight European banks, or Europe or Emerging Markets more generally, because there are often opportunities on the credit side, and vice versa here in the US. That means we have a broad, global fund, that's not too dependent on large directional bets or getting the macro calls right, since we simply don't need to.

WHAT HAS BEEN THE KEY TO THE FUND'S PERFORMANCE USING THIS STRATEGY?

Sticking to our process and doing diligent research has been crucial, especially as it allows us to add alpha on both the equity and fixed income side. Year-to-date, we've added alpha in global equities, while fixed income and diversifying assets also have performed well.

In addition to finding those big winners, we also focus on relative value at any given time. And we've been disciplined in seeking the best pockets of the market or the best securities, and then trimming exposure as prices reach our targets.

In late summer/early fall 2018, for instance, we trimmed a lot of our momentum exposure, especially within technology, which had been very strong for several years. At the same time, we were finding a lot of value in staples relative to other sectors – this hadn't happened for years.

Risk factors: The value of the Fund's shares will change, and you could lose money on your investment. The Fund may allocate its assets among different asset classes of varying correlation around the globe. The Fund's Equity Sleeve 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 Fund may have a greater impact on the Fund's NAV than it would if it invested in a larger number of securities. International investing involves additional risks, including currency fluctuations, political or economic conditions affecting the foreign country, and differences in accounting standards and foreign regulations. These risks are magnified in emerging markets. The Fund's Diversifying Sleeve includes fixed-income securities, that are subject to interest-rate risk and, as such, the net asset value of the Fund may fall as interest rates rise. Investing in high-income securities may carry a greater risk of nonpayment of interest or principal than higher-rated bonds. These and other risks are more fully described in the Fund's prospectus.

Before investing, investors should consider carefully the investment objectives, risks, charges and expenses of a mutual fund. This and other important information is contained in the prospectus and summary prospectus, which may be obtained at ivyinvestments.com or by calling the Ivy Distributors, Inc. sales desk at 800-532-2780. Please encourage your clients to read it carefully before investing. Ivy Distributors, Inc. IVAD-IVAEX/43648 (10/19)

Fund Performance – Average Annual Total Returns (%)

As Of 09/30/2019	Ticker	Inception	1-Year	3-Year	5-Year	10-Year	Life	Expense Ratio
Class I	IVAEX	04/02/2007	2.88	8.42	2.29	5.31	5.89	0.84

Data quoted is past performance and current performance may be lower or higher. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Please visit ivyinvestments.com for the Fund's most recent month-end performance. Total returns include share price changes and reinvestment of dividends and capital gains, if any. Class I shares are sold without any front-end sales load or contingent deferred sales charges.

Top 10 Equity Holdings (As Of 09/30/2019)

	% Of Net Assets
Microsoft Corp.	2.64
Taiwan Semiconductor Manufacturing Co. Ltd.	2.40
Fiserv, Inc.	2.20
Wal-Mart Stores, Inc.	2.08
Visa, Inc., Class A	1.58
ORIX Corp.	1.54
Airbus SE	1.54
Nestle S.A., Registered Shares	1.50
Northrop Grumman Corp.	1.40
ASML Holding N.V., Ordinary Shares	1.35

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Country Allocations (As Of 09/30/2019)

	% Of Holdings
United States	45.82
France	10.65
Japan	7.59
Netherlands	5.32
United Kingdom	5.30
Switzerland	4.61
Germany	4.38
India	4.25
Hong Kong	1.88
Taiwan	3.74
Finland	1.84
China	2.09
South Korea	1.32
Italy	1.21

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Portfolio Management

Ivy Investment Management Company

CHACE BRUNDIGE, CFA

Portfolio Manager

26 Years in industry | 5 Years with Fund

W. JEFFERY SURLES, CFA

Portfolio Manager

18 years in the industry | 1 year with Fund

Past performance is no guarantee of future results. This information is not meant as investment advice or to predict or project the future performance of any investment product. The opinions are current through September 2019, are subject to change at any time based on market and other current conditions, and no forecasts can be guaranteed. This information is being provided as a general source of information and is not intended as a recommendation to purchase, sell, or hold any specific security or to engage in any investment strategy. Investment decisions should always be made based on an investor's specific objectives, financial needs, risk tolerance and time horizon.

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Class I shares are only available to certain types of investors.

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Before investing, investors should consider carefully the investment objectives, risks, charges and expenses of a mutual fund. This and other important information is contained in the prospectus and summary prospectus, which may be obtained at ivyinvestments.com or from a financial advisor. Read it carefully before investing.

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IVY DISTRIBUTORS, INC. IVAD-IVAEX/43648 (11/19)