

Diversified High Yield

30 June 2010

For Institutional Investors Only

ING INVESTMENT MANAGEMENT

Strategy Brief

Investment Objective

The diversified high yield strategy aims to provide income and achieve returns (before fees, charges and taxes) that exceed the UBS Bank Bill Index by at least 2.0% per annum, over periods of three years or more.

Key Benefits

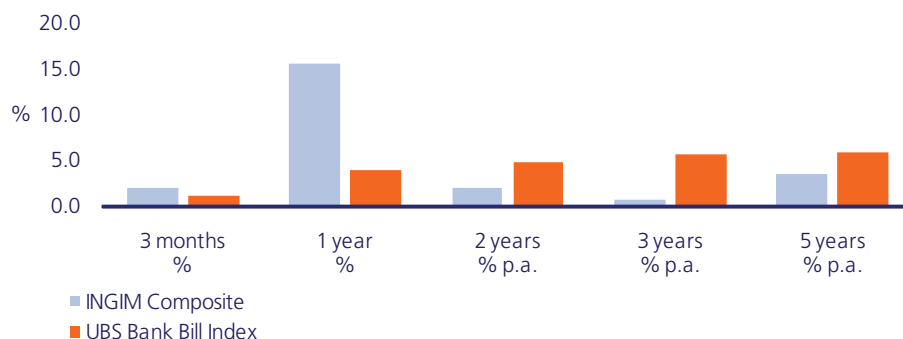
- Provides a high level of income derived from a well diversified portfolio of high yielding debt assets and fixed interest securities.
- Investments are diversified by domestic and international higher income opportunities, enhancing the level of confidence in providing more robust and stable returns.
- This strategy invests in floating rate securities which minimises the portfolio's sensitivity to changes in interest rates.
- Provides access to INGIM's extensive global fixed income resources, including over 100 dedicated credit specialists solely focused on sourcing and reviewing credit opportunities.

Portfolio Characteristics

Inception	October 2003
Assets under management (\$m)	186.62
Number of securities	63
Benchmark	UBS Bank Bill Index
Average credit rating	BB+
Modified duration (years)	0.51
Beta (3 year)	-4.58
Tracking error (3 year, %)	6.20
Information ratio (3 year)	-0.79
Sharpe ratio (3 year)	-0.83

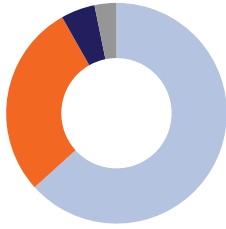
Performance as at 30 June 2010

	3 months %	1 year %	2 years % p.a.	3 years % p.a.	5 years % p.a.
INGIM Composite	1.86	15.46	2.00	0.69	3.44
UBS Bank Bill Index	1.12	3.89	4.68	5.56	5.77
Value-add	0.74	11.57	-2.68	-4.87	-2.33



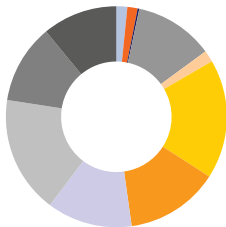
INGIM Composite returns are shown on a gross return basis (before fees, charges and taxes).

Asset Allocation



Australian Fixed Income & Cash	63.3%
Australian High Yield Debt	28.5%
International Fixed Income	5.0%
International High Yield Debt	3.2%

Credit Rating



AAA	1.6%	A	17.5%
AA+	1.5%	A-	13.7%
AA	0.1%	BBB+	12.5%
AA-	11.6%	BBB	17.2%
A+	1.7%	BBB-	11.6%
Sub-investment grade	11.0%		

For more information please contact:

Client Services

T (Aus): 1300 365 439
 T (Int): +61 2 9276 6276
 F: +61 2 9276 6400
 E: client.services@ingim.com.au
 W: www.ingim.com.au

ING Investment Management Limited
 ABN 23 003 731 959 AFSL 233793
 Level 21, 83 Clarence Street
 Sydney NSW 2000 Australia

Market Commentary

Yields on domestic 90-day bank bills remained entrenched within a broadly rising trend over the course of the June quarter. From an opening level of 4.49%, yields rose by 43 basis points (bp) to end the period at 4.92%. The Reserve Bank of Australia (RBA) set the scene for the rise in yields, as it continued its move away from what was an extremely accommodative monetary policy setting. To this end, the RBA increased the official cash rate in 0.25% increments on 7 April and 5 May, bringing the rate to its current level of 4.50%.

Against this backdrop, the portfolio rose by 1.86% over the quarter, significantly outperforming the UBS Bank Bill Index, which rose by 1.12%.

Relative to its cash benchmark, the recent performance of the portfolio has benefited significantly from strong gains in the respective values of its private placement loans and structured credit holdings. These outweighed the somewhat modest performance of the portfolio's bank securities holdings, which were impacted particularly in June by spread widening associated European sovereign credit concerns. At the overall level, the credit quality of the portfolio's holdings nevertheless remains sound, such that we do not foresee any specific near-term default risk.

Outlook

Having widened to an extreme extent at the height of the global financial crisis, credit spreads subsequently experienced a period of sustained and significant contraction. The extent to which this has occurred leads us to suspect that further such exceptional gains are unlikely. In fact, particularly in the context of bank securities, there has recently been evidence of renewed spread widening, reflecting the cautious tone of investment sentiment ahead of the stress tests that the European Central Bank (ECB) plans to conduct on the region's banks. Specifically, any perception that the tests are not sufficiently rigorous in terms of their transparency and scope could conceivably exacerbate any trend towards spread widening.

Although a period of heightened spread volatility is plausible, it appears more likely that, over the near term, spreads will remain within their recent trading range. Moreover, any episodes of undue weakness are likely to be limited by the generally positive tone of economic data releases, and may in fact even present opportunities for investors to selectively increase their market exposure. In this regard, we recently captured the opportunity to invest in an infrastructure asset that we envisage will position the portfolio to capture the benefits of the ongoing strength in demand for Australia's commodity exports.

INVESTMENT MANAGEMENT



ING Investment Management Limited (INGIM) ABN 23 003 731 959 AFS Licence 233793 is the investment manager of this strategy. Sector weightings and portfolio positions shown are based on a sample portfolio in the composite that INGIM believe best represents the investment strategy. Performance figures have been calculated before fees, charges and taxes. The value of any investment may fall as well as rise and past performance is not a reliable indicator of future performance.

The personal circumstances, investment objectives, risk profiles or income needs of any particular investor have not been taken into account in the production of this strategy brief and as such it should not be relied upon as a substitute for professional financial advice. Neither INGIM nor any other company or unit belonging to the ING Group, nor any of its officers, directors or employees accept any liability or responsibility in respect to the information contained in this document and thereby does not guarantee the repayment of capital or the performance of any strategy.