Global Property Securities

30 June 2010 For Institutional Investors Only

ING INVESTMENT MANAGEMENT

Strategy Brief

Investment Objective

The global property securities strategy aims to achieve returns (before fees, charges and taxes) that exceed the UBS Global Real Estate Investors (ex Australia) Index (hedged to A$) by at least 2-4% p.a. over rolling three year periods.

Key Benefits

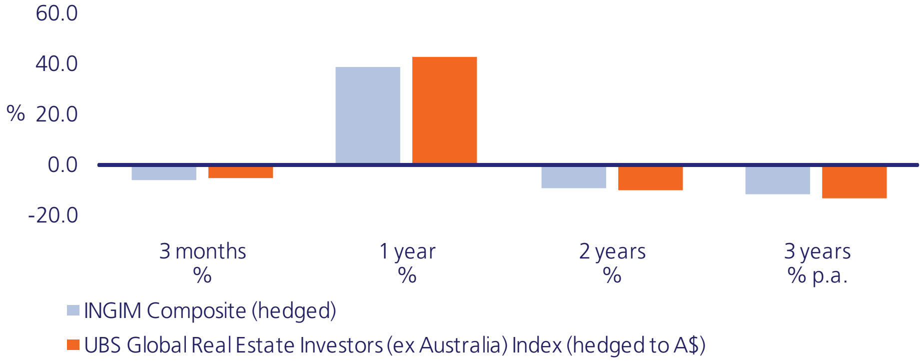
- Offers significant diversification benefits as a result of low correlation to other asset classes and among the regions in which the strategy invests.
- Suitable for investors seeking capital growth as well as income, with an emphasis on providing a total return.
- Provides access to one of the world's largest and most experienced managers of global property securities mandates, ING Clarion Real Estate Securities.
- Access to extensive global real estate research and market intelligence.

Portfolio Characteristics

Inception	October 2005
Assets under management ($m)	502.81
Number of securities	Typically 80-100
Investment universe	Around 800 stocks
Benchmark	UBS Global Real Estate Investors (ex Australia) Index (hedged to A$)
Alpha (3 year, %)	1.02
Beta (3 year, %)	0.93
Tracking error (3 year, %)	3.88
Information ratio (3 year)	0.51
Sharpe ratio (3 year)	-0.57

Performance as at 30 June 2010

	3 months %	1 year %	2 years %	3 years % p.a.
INGIM Composite (hedged)	-6.12	38.61	-9.55	-12.00
UBS Global Real Estate Investors (ex Australia) Index (hedged to A$)	-5.27	42.44	-10.62	-13.96
Value-add	-0.85	-3.83	1.07	1.96



INGIM returns are calculated before fees, charges and taxes.
Source: INGIM, UBS (via RIMES)

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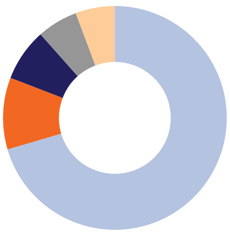
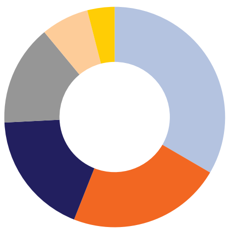
Regional Allocation



North America	70.6%
UK	10.4%
Europe (ex UK)	7.6%
Asia (ex Japan)	5.8%
Japan	5.6%
Emerging Markets (ex Asia)	0.0%

Sector Allocation



Office	33.4%	Residential	14.8%
Retail	22.6%	Hotels	7.0%
Diversified	18.2%	Industrials	4.0%

For more information please contact:

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Market Commentary

Global property securities markets were sold off sharply over the final weeks of the June quarter, resulting in the UBS Global Investors Index posting a fall of 4.9% in local currency terms for the period. Despite this weakness, property stocks nevertheless outperformed the broader global sharemarkets, evidence by the 11.0% fall in the MSCI World Index.

At the regional level, performance was comparatively uniform, with most markets ending the quarter in negative territory. The UK (-12.3%) posted the heaviest fall, followed by Continental Europe (-9.6%), Japan (-8.2%) and North America (-3.8%). This left Singapore (+1.2%) as the sole major market to post a positive return.

Property stocks, and indeed the broader global sharemarkets, were weighed down by a progressive deterioration in economic sentiment. Investors were initially unnerved by a multi-notch sovereign credit rating downgrade to Greece. The subsequent announcement of a €750 billion financial rescue package by the European Union (EU) and the International Monetary Fund (IMF) for Greece and the other heavily indebted European nations served only to temporarily ease credit concerns. Specifically, it remains a point of conjecture as to whether a default on the part of one or a number of these nations will be avoided.

Concerns over the sovereign debt situation in Europe were accompanied by a growing sense of scepticism with regard to the sustainability of the economic recovery in the US. A particular point of concern was the 32.7% slump in new home sales data in May. This gave significant weight to the contention that the earlier resilience in the housing sector was almost entirely attributable to the US government's tax credit for new home purchases scheme, which has now expired.

Outlook

A number of factors suggest to us that, from a bottom-up perspective, property fundamentals are improving. At the overall global level, we note that occupancy rates currently exceed 90%. Meanwhile, market rents have evidently reached a bottom, with some areas even showing signs of improvement. Furthermore property companies' balance sheets have returned to more healthy levels, with the average loan-to-value percentage having fallen to 40%, down from approximately 55% at the nadir of the global financial crisis. Moreover, improved capital strength has encouraged a renewal of confidence, evidenced by an increased number of property transactions being completed.

In terms of accessing the capital markets, we note that companies are successfully sourcing new debt and equity capital. By way of example, Boston Properties recently issued US$700 million of 10-year senior unsecured notes at 5.625%, while in Europe, French shopping centre company Klepierre raised 700 million by way of a 7-year note priced at 4%. In the equity sector, Macerich recently conducted a US$1.2 billion equity raising, with the strength of demand causing the issue to be doubled from its original size.

From an earnings perspective, we do not foresee that these will be unduly impacted by fluctuations in economic sentiment. At present, we anticipate that earnings growth for next year may rise to almost 10%. Against this backdrop, we note that market movements have returned valuations to an attractive discount. We specifically estimate that, at a global level, property companies are presently trading at an average discount to net asset value (NAV) of 10% on a weighted average basis.

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