

Sustainable Australian Equities

30 June 2010

For Institutional Investors Only

ING INVESTMENT MANAGEMENT

Strategy Brief

Investment Objective

The sustainable Australian equities strategy aims to deliver returns (before fees, charges and taxes) that exceed the S&P/ASX 300 Accumulation Index of at least 2.5% per annum over a rolling 3 year period.

Key Benefits

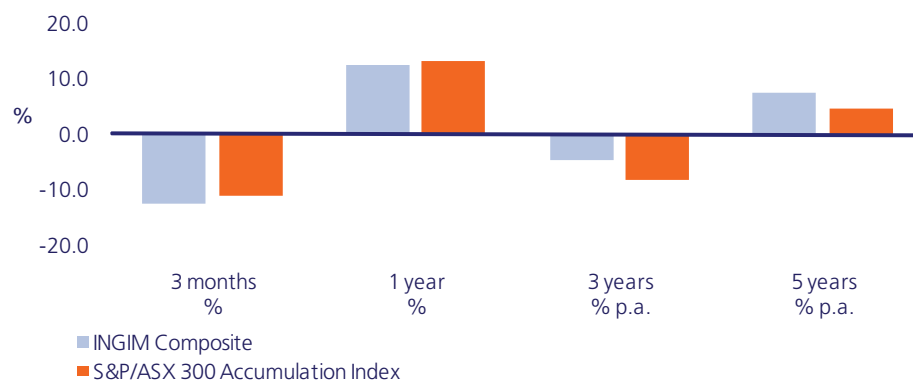
- Focuses on companies that actively adopt acceptable environmental, social and governance standards within their business.
- Combines the equities investment skills of ING Investment Management with the sustainability research of global research firm, RiskMetrics Group.

Portfolio Characteristics

Inception	July 2001
Assets under management (\$m)	429.6
Number of securities	41
Market Cap Bias	Large Cap
Benchmark	S&P/ASX 300 Accumulation Index
Alpha (3 year, %)	3.10
Beta (3 year)	0.98
Tracking error (3 year, %)	4.49
Information ratio (3 year)	0.72
Sharpe ratio (3 year)	-0.54

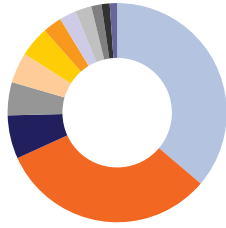
Performance as at 30 June 2010

	3 months %	1 year %	3 years % p.a.	5 years % p.a.
INGIM Composite	-12.36	12.55	-4.80	7.55
S&P/ASX 300 Accumulation Index	-11.20	13.05	-8.05	4.56
Value-add	-1.16	-0.50	3.25	2.99



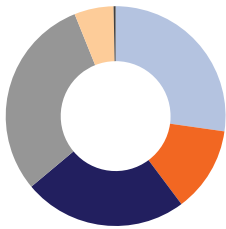
INGIM returns are calculated before fees, charges and taxes.

Sector Allocation



Financials ex Property	36.2%	Telecomm. Services	2.8%
Materials	32.0%	Consumer Discretionary	2.5%
Energy	6.4%	Information Technology	2.4%
Consumer Staples	4.9%	Listed Property Trusts	1.5%
Industrials	4.5%	Utilities	1.2%
Health Care	4.5%	Cash	1.1%

Sustainability Ratings Profile*



AAA	27.3%	BB	5.8%
AA	12.6%	B	0%
A	24.2%	CCC	0%
BBB	30.1%	Not rated	0.1%

Excludes Cash

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Market Commentary

Following returns of -1.3% and -7.5% in April and May respectively, the Australian sharemarket, as measured by the S&P/ASX 300 Accumulation Index, declined by 2.6% over the month of June, resulting in a loss for the quarter of 11.2%.

Sentiment was undermined early in the period when the financial fragility of a number of European countries was highlighted 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.

Regulatory concerns also weighed on market sentiment, as the Federal Government announced a proposed Resource Super Profits Tax (RSPT) on mining companies. Although the initial proposal has subsequently been amended to take the form of a Mineral Resource Rent Tax (MRRT), widespread uncertainty persists as to the scope of the tax and its implications.

Sustainable Issues

In the context of sustainability and social issues, Westpac Bank recently announced the establishment of a partnership with The Climate Institute to promote Australian business investment in climate action, clean energy and pollution reduction. Westpac is The Climate Institute's Leading Partner in an initiative known as the Climate Partners. The initiative aims to provide a forum that brings together a range of leading companies in a diverse range of sectors that includes finance, energy, infrastructure, transport and communications. The intention is to provide a platform to promote business leadership in driving climate change solutions and to better inform debate on policy issues in this area. The portfolio presently holds an overweight position in Westpac Bank.

Outlook

From a domestic economic perspective, the growth phase in Australia appears broadly intact, and hence remains supportive of the domestic sharemarket. However, there are a number of factors that may weigh on momentum in the months ahead. Consumer spending is facing strengthening headwinds, amid the fading impact of the government's consumer stimulus measures and the rising trend in official interest rates. Amid speculation that rates could possibly go yet higher, early cyclical stocks may come under pressure, while a flattening of the yield curve could further squeeze bank margins that are already under pressure from higher wholesale funding costs. Furthermore, sentiment within the resources sector is likely to remain fragile, pending greater clarity with regard to the taxation arrangements for these companies.

More broadly, in the US, questions are being raised as to the sustainability of the country's economic rebound. We recognise but do not entirely share these concerns, as low business inventories and rising levels of labour utilisation underpin the outlook for industrial production. This, in turn, bodes well for domestic companies with US exposure, or whose earnings are denominated in US dollars. Indeed, this remains a key theme of our present portfolio strategy.

*IMPORTANT NOTE ABOUT SUSTAINABILITY RATINGS

RiskMetrics Group's ratings system rates a company's ability to meet regulatory requirements and capitalise on environmental and socially-driven profit (ESP) opportunities. These are rated: AAA = strong; AA = Good; A= above average; BBB = Average; BB = Below Average; B = Poor; CCC = Risks attached.