

The ING Investor Sentiment Tracking Study (“ING Investor Dashboard”) measures investor sentiment and the behaviour of mass affluent investors across 12 Asia Pacific markets.

The survey aims to anticipate changes in market sentiment, investment attitude, risk absorbance and trends in behaviour over time.

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insights

ING INVESTMENT MANAGEMENT

ING Investor Dashboard December 2009

An insight into investor opinions, trends and outlook

About Investor Dashboard

In conjunction with research firm Nielsen Research, ING interviewed 3,730 mass affluent investors¹ in December 2009 in 12 countries across the Asia Pacific region. Questions included views on government policy, the economy, household and personal finances, the stock market, expectations for return on investments and risk tolerance. The findings from this survey assist ING in gaining a better understanding of what influences investor behaviour.

The ING Investor Dashboard is the only regular quarterly survey in the Asia Pacific region that provides a litmus test of investor perceptions in the region. This is the 10th investor tracking sentiment study which began in July 2007. This paper provides a summary of findings from the December 2009 survey, with a particular emphasis on the views of Australian investors.

Investor Sentiment Score

The investment sentiment score continued to rise over the December quarter, finishing strongly for the calendar year. Ten of the 12 countries surveyed showed ‘Optimistic’ sentiment. Of the two countries outside this band, Japan has fallen from ‘Neutral’ to ‘Pessimistic’, whilst India has retained its ‘Very Optimistic’ sentiment.

¹ Mass affluent investors are defined as those individuals aged 30 years or above who have disposable assets or investments of US\$100K or above. Exceptions are Indonesian investors, who required a minimum of US\$56K or above; and Philippine investors who require US\$100K or monthly personal income of Php200,000 or above.

The Pan-Asia Index has now increased by 101% over the last 12 months, from a low of 73 (Pessimistic) in December 2008 to 147 for December 2009, showing that overall confidence has recovered to pre-global financial crisis levels. The optimistic sentiment signals that Asian investors are poised for more aggressive investment and market activity in 2010, following the strong performance in the financial markets and the recovery of the local economies in 2009.

Quarter-on-quarter, the index registered a modest increase of 3.5% from 142 for Q3 2009 but still maintained the positive momentum set since Q2 2009, reflecting expectations that the worst is over and there is confidence in the stability of the global recovery. The survey results show the highest investor sentiment score since the index was introduced in Q3 2007.

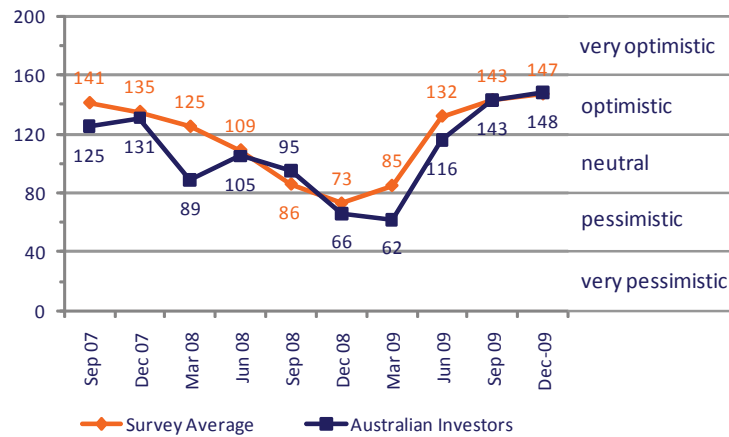
Investor sentiment in China and India continues to be the highest in the region, with a 53% year-on-year increase in 2009 for China and a 122% year-on-year increase for India, as strong domestic demand in both markets—and in the case of China, successful stimulus measures – continue to drive consumption and economic growth.

Investor sentiment in the export-driven markets including Hong Kong, Singapore and Taiwan also ended 2009 on a high note, as their local economies advanced out of recession and export growth began to improve from Q2 to Q4 2009.

"In December 2008, 78% of Australian investors thought the economy had deteriorated, whereas today 82% are saying it has improved."

Australia ranks fifth amongst the 12 countries with an overall sentiment score of 148 - up 3.5% since the previous quarter. More importantly Australian investor sentiment is up 124% over the last 12 months, indicative of the rapid improvement in economic and financial conditions over the last year.

Chart 1: Pan-Asia Investor Sentiment Score* - December 2009



* The Pan-Asia sentiment index is derived from the median of 10 markets – China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand.

The investor sentiment score gauges the confidence of private investors. It will vary between 0 and 200. There are five bands of sentiment within the scoring system. These are:

- 161-200 = very optimistic
- 121-160 = optimistic
- 81-120 = neutral
- 41-80 = pessimistic
- 0-40 = very pessimistic

A number of factors which stand out as key drivers of optimistic sentiment in the Asia Pacific region include:

- Stabilisation of financial markets and the health of local sharemarkets.
- Investor expectations of an improvement in domestic property prices. This view has been most prevalent in China, Thailand, Indonesia and India.
- Improving sentiment regarding US economic conditions and its impact on investment decisions. There has been a large swing from negative to positive sentiment over the last 12 months.
- A growing view that local economic conditions are improving.
- Return on investment has either increased or not changed in Q3 2009 for the majority (83 per cent) of investors.

Economic Conditions

Local economic conditions

The outlook on the local economy in most Asia Pacific markets remains buoyant, particularly for the export-oriented markets. Exceptions include China, possibly due to rising concerns that the government may begin to tighten monetary policy.

In December 2008, 78 per cent of Australian investors thought that the economic situation had deteriorated, whereas today 82 per cent are stating that it has improved. Seventy-three per cent expect the economy to continue to improve over the next three months compared with only 7% expecting it to worsen. This confidence, in terms of economic assessment, places Australia equal second in the survey, alongside Singapore (also 82 per cent) and marginally behind India (87 per cent).

In addition, 29% of Australian investors believe government policy on investment had been favourable over the last quarter (down from 38% in Q3).

Inflation

With domestic economies recovering and export growth picking up, the majority of investors in the Asia Pacific (77%) are now forecasting rising inflation in 2010. Seventy per cent of Australian investors expect inflation to rise in the next quarter (up from 60% in Q3) and 89% expect inflation to rise over the course of 2010 (similar to Q3). Australians rank amongst the top three countries (including China and India) supporting the inflation thesis.

Domestic interest rates

As a result of inflation expectations the majority of investors (58%) are also expecting domestic interest rate rises in 2010. Ninety per cent of Australian investors expect domestic interest rates to rise this year of which the majority believe this to have a negative impact on the local economy. On the flipside of this negative view, 63% of Australian investors believe that inflation will have 'no impact' on their investment decisions in the coming quarter.

The US Economy

Whilst local economic conditions look reasonably healthy for the Asia Pacific region, investors' confidence in a speedy US economic recovery appears to be waning, with an average of 46% expecting the US economy to take two years or more to recover. Australian investors are even less confident, with 53% nominating this time period for US economic recovery.

Twenty-nine per cent of Australian investors said their investment decisions had been negatively impacted by the state of the US economy, which is down from 38% in the previous quarter. However, there is an increase in the number of Australian investors that expect the US economy to worsen over the next three months, up to 24% from 16% in Q3.

For Australian investors the factors that are likely to have the greatest negative impact on their investment decisions are the performance of the stock market, a recession and the worsening of the US economy. Therefore, US economic conditions are likely to be watched carefully by Australian investors over the next few months.

Table 1: View on local economy - Past 3 months

Investor Group	Improved	No Change	Deteriorated
Australia <i>(previous quarter)</i>	82% <i>(76%)</i>	13% <i>(16%)</i>	5% <i>(8%)</i>
Pan Asia Average <i>(previous quarter)</i>	63% <i>(62%)</i>	20% <i>(24%)</i>	16% <i>(14%)</i>

Financial Health

The financial health of investors in the survey remains skewed towards improving finances, with a smaller percentage in the 'no change' category and an even smaller percentage believing their financial condition has worsened. The table below shows the Return on Investment (ROI), Personal Financial Situation (PFS) and Household Financial Situation (HSF) of Australian investors relative to the Asia Pacific average.

In comparison to the previous quarter, all three measures of financial health improved:

- Return on investments (ROI) had increased = up from 58% in Q3 to 66%.
- Personal financial situation had improved = up from 50% in Q3 to 58%.
- Household financial situation had improved = up from 48% in Q3 to 56%.

Chart 2: Factors with the most negative impact on investment decisions

Australian investors as at 31 December 2009

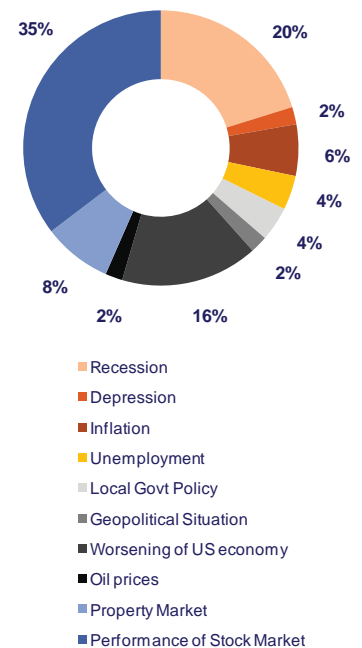


Chart 3: Investment considerations in the next 3-6 months

Australian investors as at 31 December 2009

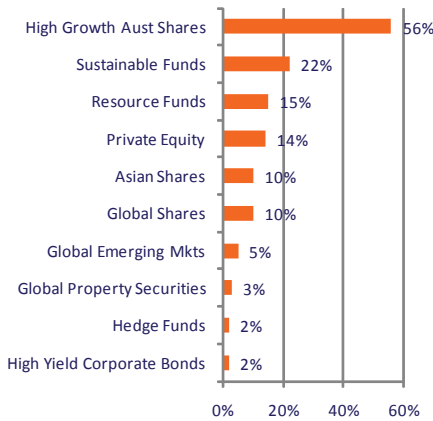


Table 2: Financial health of investors - Past 3 months

Investor Group	Quarterly Change	ROI	PFS	HSF
Australia	Increased	66%	58%	56%
	No Change	20%	28%	31%
	Decreased	13%	15%	14%
Pan Asia Average	Increased	59%	55%	51%
	No Change	24%	29%	35%
	Decreased	17%	16%	15%

ROI = Return on Investments
 PFS = Personal Financial Situation
 HSF = Household Financial Situation

A key point to make about the financial health of Australian investors is their pre-occupation with the performance of their local stock market. Of survey participants in the region, more than a third of Australian investors nominated the performance of their stock market as a factor that has had the most negative impact on their investment decisions, compared to only a fifth nominating a recession as a negative influence. The other countries to have a similar view of their local stock markets are India (20%), Hong Kong (19%) and China (19%).

Investment Strategy

Australian investors appear a bit more reserved than their Asian neighbours when asked about their views on low, medium and high risk/return investments. The survey shows that the majority of Australian investors had a more favourable view of low risk/return investments (66%) compared to medium (43%) or high risk/return investments (27%) for the quarter ending 31 December 2009. This is more conservative than the Pan Asia average which shows a more even distribution with medium risk/return investments (55%) rated most favourable followed by low (50%) and then high risk/return (48%).

Despite the more conservative view, Australian investors have not made any major shifts in terms of their portfolio risk profile. When asked about the type of investment strategy adopted there has been a slight increase in both conservative (from 25% to 29%) and aggressive strategies (from 10% to 13%), at the expense of balanced strategies (down from 65% to 58%) over the last quarter.

Investment Tools

Cash/deposits, local stocks, gold, foreign currency and residential real estate (both owner occupied and for investment purposes) are the most common investments nominated by investors in the Asia Pacific region.

Australian investors' top four investment tools in the survey are superannuation (76%), cash/deposits (64%), local stocks (52%) and residential property (owner-occupied) (47%). When compared to the previous survey the largest moves have occurred in locally managed funds (up from 14% to 24%) and local stocks (up from 43% to 52%).

Over the next three months the most significant changes planned by Australian investors are to increase their allocation to superannuation, local stocks and cash. Within local share portfolios Australians plan to increase their investment in the materials, energy and transportation/ warehousing sectors. Furthermore, 19% of investors plan to increase their exposure to managed funds within the next three months.

When asked about specific investment products that investors would consider over the next three to six months, an overwhelming majority of Australian investors in the survey preferred higher growth Australian shares, indicating that risk appetite is there. There is also interest in sustainable and resource funds. There is less interest in overseas shares and REITs.

Outlook

Local economic and financial conditions have improved for most investors in the Asia Pacific region which has improved their financial health over the last 12 months. However, improving economic conditions has created inflationary pressures and a majority of investors in the region believe they will be subject to interest rate rises in 2010.

Despite a healthy economic outlook for a number of countries in the region, the majority of investors remain concerned about the health of the US economy, which is seen as a key driver of the global economy, alongside China. A large number of investors believe it will take some time for the US to recover from recession and this may limit enthusiasm as the year unfolds.

Current sentiment appears bullish, with a continuing interest in local stocks and property, despite expectations of tighter monetary policy. Australians preoccupation with the performance of the local stock market will test the current level of optimistic sentiment, should it fail to meet investor expectations.

ADDITIONAL INFORMATION

COUNTRIES IN THE SURVEY

A combination of online interviews and face-to-face interviews were conducted in 12 Asia-Pacific countries. The following countries were included:

- Australia - Nationwide
- China - Beijing, Shanghai and Guangzhou
- Philippines - Metro Manila
- Singapore
- Taiwan - Greater Taipei
- Thailand - Greater Bangkok
- Malaysia - Kuala Lumpur / Petaling Jaya
- Hong Kong
- India - Mumbai and Delhi
- Indonesia - Greater Jakarta
- Japan - Nationwide
- Korea - Nationwide

INVESTOR PROFILE

The wealth profile of individuals comprised:

- cash, deposits, stocks, funds, bonds and any other investment derivatives, foreign currency (for investment purposes).
- gold, property (excluding self-occupied property but including other residential/business properties for investment purposes).
- any liquid resources (other than cash) that can be evaluated according to their equity value.

INVESTOR SENTIMENT SCORE (ISS) CALCULATION

The investor sentiment calculation allows the index to be:

- able to reflect both positive and negative opinions on the investment markets
- able to handle the culture bias on scales
- robust enough to be tracked longitudinally
- comparable across markets

Based upon the requirements of the index, the calculation of the score is as follows.

ISS = Average of [(T2B% - B2B%)_i + 100%] where:

- i = basic question 1, ..., 13
- T2B = Positive (4- or 5-pt) responses on index questions
- B2B = Negative (1- or 2-pt) responses on index questions

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