The ING Investor Sentiment Tracking Study ("ING Investor Dashboard") measures investor sentiment and the behaviour of mass affluent investors across 13 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 March 2009

An insight into investor opinions, trends and outlook

About Investor Dashboard

In conjunction with research firm Research International, ING interviewed 1,347 mass affluent investors[1] in March 2009 in 13 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 health in the region. This is the seventh investor tracking sentiment study which began in September 2007.

This paper provides a summary of findings from the survey with a particular emphasis on Australian investors.

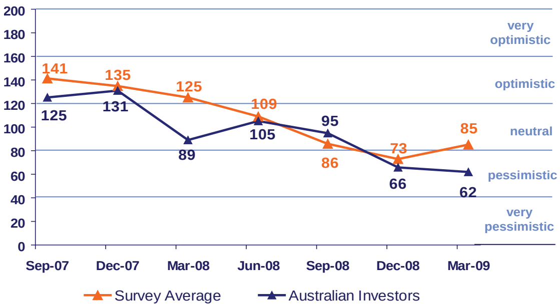
Investor Sentiment Score

The latest data from the quarterly ING Investor Dashboard Survey shows a 16% increase in investor sentiment across Asia for the March 09 Quarter, moving from slightly pessimistic to slightly neutral. The average sentiment score is somewhat misleading as it masks the declining sentiment in most markets.

[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 average score was boosted by China (up 21 points), India (up 57 points) and Taiwan (up 19 points), which all experienced improvements in investor sentiment.

Chart 1: Quarterly Trend of Investor Sentiment Score



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

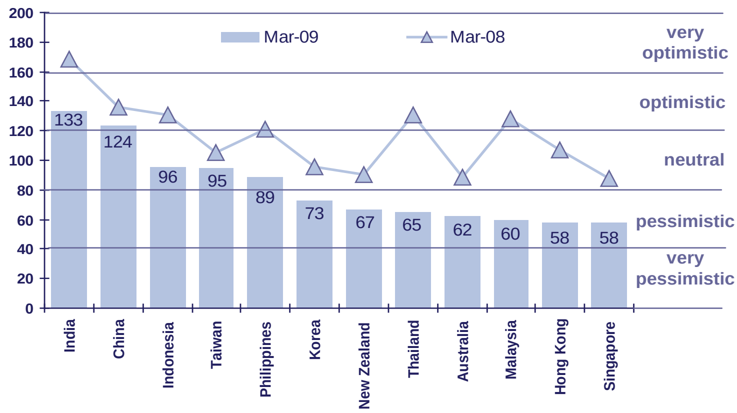
Chart 2 shows that all the Asian countries in the survey have experienced a decline in sentiment over the last 12 months. Despite various stimulus plans across the Asian region, only India and China showed optimistic sentiment. Specifically, China appears to be on target to achieve 8% GDP growth this year, helped by a 4 trillion Chinese Yuan (AUD 905 billion) stimulus package. Improved cross-strait relations between China and Taiwan has also helped Taiwanese sentiment.

"Australian Investors are firmly in the pessimistic band."

Countries that are the most pessimistic tend to be those reliant on exports. For example, in South Korea export figures fell 32.8% in January and Japan has seen its GDP decline by 3.3% due to collapsing exports. Singapore and Thailand are also forecast to contract in GDP growth. Interestingly, China's exports have also taken a beating, and by the end of February 2009, had fallen over 40% since September 2008. However, a turnaround in March had commentators suggesting that the export cycle in Asia may have bottomed out.

Australian investors are firmly in the pessimistic band and rank 9th amongst the 13 countries. Australian sentiment is now at its lowest level since the survey started, falling to 62 (compared with 66 in the previous quarter).

Chart 2: Investor Sentiment Score by Country



Economic Conditions

More than half the countries in the region are showing pessimistic investor sentiment. We believe this is mainly driven by the dour economic conditions. The majority of investors believe that economic conditions have deteriorated (68%). Australians are even more negative, with 84% claiming conditions have worsened. Investors were asked to comment on whether the economy is in slowdown, in a recession or a depression. Australian investors are divided on whether they are in a recession (45%) or a slowdown (48%).

Even though more Australians believe economic conditions have worsened, they are less concerned than their Asian neighbours about the economy's impact on job security. Only 38% of Australians said the economy had a negative impact on job security compared with the survey average of 61%.

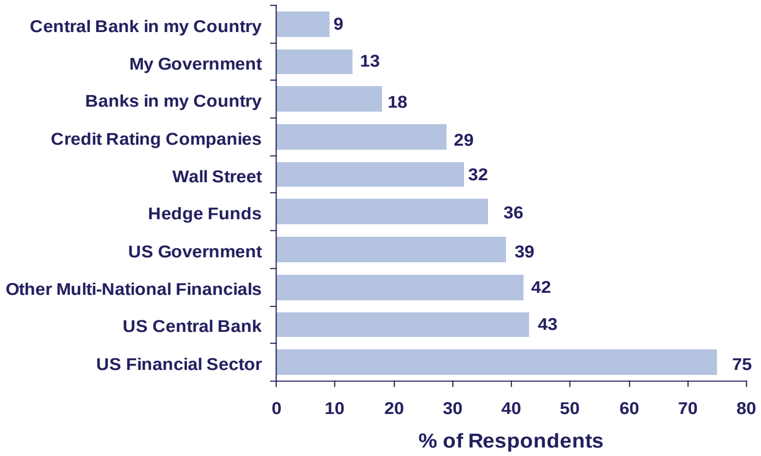
Apart from local economic conditions, the other factor that appears front of mind for investors is the worsening US economy and global recession. All countries, with the exception of China, did not have much confidence in the effectiveness of the US stimulus package, and consequently did not think it would impact their investment decisions. Seven of the 13 countries, including Australia, also thought that the US economy would deteriorate over the next quarter.

Many investors continue to blame the US financial institutions and finance sector for the current global financial crisis. Accordingly, the majority of them (seven of the 13 countries) have lost confidence in the finance industry. Australians and the Philippines expressed neutral views on the finance sector and China remain confident.

Table 1: Economic Views of Investors

March 2009	Australian Investors	Asia Pacific Investor Average
View on Economic Conditions		
- Growing	0%	3%
- Slowdown	48%	44%
- Recession	45%	31%
- Depression	7%	19%
- No opinion	0%	3%
View on Economic Situation		
- Improved	6%	17%
- No change	10%	15%
- Deteriorated	84%	68%
Economic impact on Job Security		
- Positive	0%	6%
- No impact	62%	34%
- Negative	38%	61%

Chart 3: Who Do Australian Investors Blame for the Financial Crisis?



Note: Respondents can choose more than one answer.

Return on Investment (ROI)

Over the last quarter, 72% of Australian investors have noted a decrease in return on investments (ROI) compared with the survey average of 55%. Chinese investors have experienced the best returns over the last quarter, with 53% nominating an increase in ROI. Indian and Taiwanese investors have also enjoyed better returns.

On a brighter note, Australian investors are more positive about their investments over the next quarter, with fewer (47%) expecting a decrease in ROI. The same applies for the region average, with slightly better expectations in ROI. Nevertheless, more investors still expect a decrease in ROI than an increase in ROI.

One of the questions posed to investors in this survey was how they felt about the impact of government policies on investments. On a regional basis, 42% of investors felt there was no impact and 33% viewed government action as unfavourable.[2]

Australians were more negative, with 38% seeing government actions as unfavourable, 36% no impact and 26% as favourable. The forward looking views for Australians (i.e. next three months) did not change much. However, on a pan-Asia basis they improved considerably, led largely by the optimism in India, Taiwan and Thailand.

Table 2: Current and Future Outlook for ROI

Return on Investment (ROI)	Australian Investors	Asia Pacific Investor Average
Expectation over next 3 months		
- Will Increase	19%	31%
- Will Not Change	35%	32%
- Will Decrease	47%	37%
Last 3 months		
- Increased	9%	22%
- No change	19%	23%
- Decreased	72%	55%
Last 6 months		
- Increased	11%	22%
- No Change	22%	20%
- Decreased	67%	58%

Investment Strategy

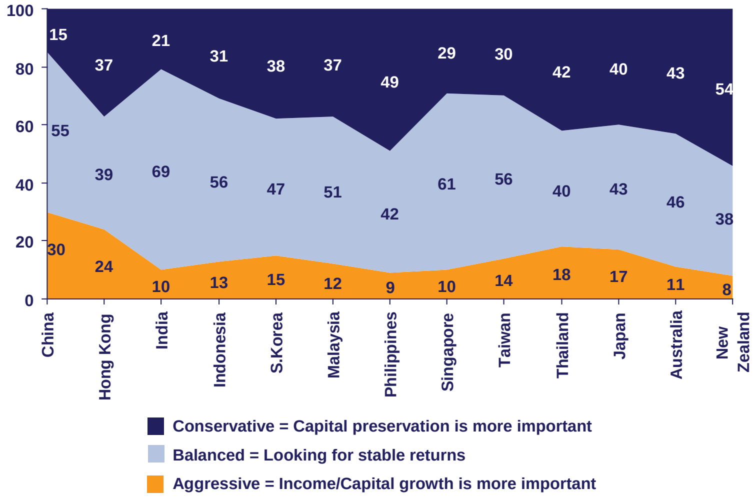
There is a conservative approach towards investment over the next quarter with 50% of respondents saying that will invest less, and reserve cash. Only Indian and Chinese investors, in general, plan to invest more.

Australian investors are divided between conservative and balanced investment strategies, with 43% and 46% respectively, nominating these types of portfolios as their preferred investment strategy. The remaining 11% prefer an aggressive investment option.

The preference for a conservative strategy has steadily increased over the last few quarters, from 24% to 43%, indicating the more cautious approach being taken by Australian investors in this current environment.

2 Chinese investors were not asked this question to due political sensitivity issues.

Chart 4: Investment Strategy by Country



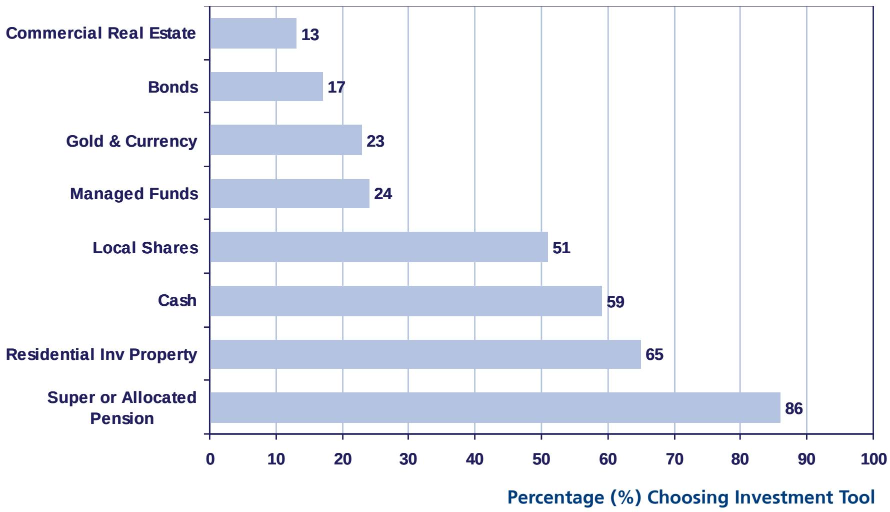
It is an interesting dilemma for Australian investors because choosing more conservative strategies and increasing cash reserves is not being helped much by the current low interest rate environment. However, most investors (56%) aren't concerned about low interest rates at the moment. Even though 34% of investors think that interest rates are too low, they aren't prepared to change their strategy, as they believe the investment environment is too volatile.

Investment Tools

Investors in the Asia Pacific have a bias towards local currency denominated assets. It is common during volatile environments for investors to gravitate towards local investments where they have a better understanding of economic, political and investment conditions.

Chart 5 shows the most popular investment tools being used by Australian investors in their portfolio. The percentages refer to the number of investors electing these asset classes as part of their portfolio and include the full suite of investment strategies chosen by each investor.

Chart 5: Most Popular Investment tools used by Australian investors



To get a better indication of the actual monies invested, the average asset allocation of the Australian investor survey pool is shown in Chart 6. It can be seen from this chart, that the majority of assets are invested in residential investment property. Superannuation also comprises a large portion of investor assets.

Local Stocks Present Buying Opportunities

Almost 50% of Asian investors think their local stock market will fall in the next quarter. In comparison, 62% of Australian investors expect the stock market to continue to fall. Of the group of investors expecting their local stock market to fall, the average decline over the next quarter is expected to be around 11.6%, with Australian investors expecting a 9.8% fall.

These lower price expectations may explain the increasing interest in the local share market over the next quarter, with 22% of Australians planning to invest more in this asset class. Of all investment tools, increases in local share market allocations topped the list.

The Attraction of Bricks and Mortar

With a couple of exceptions, the majority of investors in the region think residential real estate prices will decline over the next quarter. Around 43% Australians expect a decline in real estate prices compared to 20% who think prices will increase.

With that in mind, it is not surprising that Australian investors would like to allocate more to this asset class. Seventeen per cent of Australians in the survey plan to invest more in residential real estate over the next quarter and 15% plan to increase allocations to commercial real estate.

The good news is that Australians aren't using as much borrowed capital to make these real estate purchases. Roughly 50% of monies use for investment will be borrowed capital, compared with 63% in the previous quarter. The lower interest rate environment should also assist Australians with their debt budget.

Cash is Still King

The majority of investors across Asia are sticking with their current investment portfolio. Cash remains the most popular investment tool. Fifty-five percent of Australian survey respondents stated they would invest less and reserve more cash in the next quarter. Interestingly, when asked about which asset class they are planning to allocate more money to, only 17% of investors planned to increase cash and deposits. This is down from 26% last quarter.

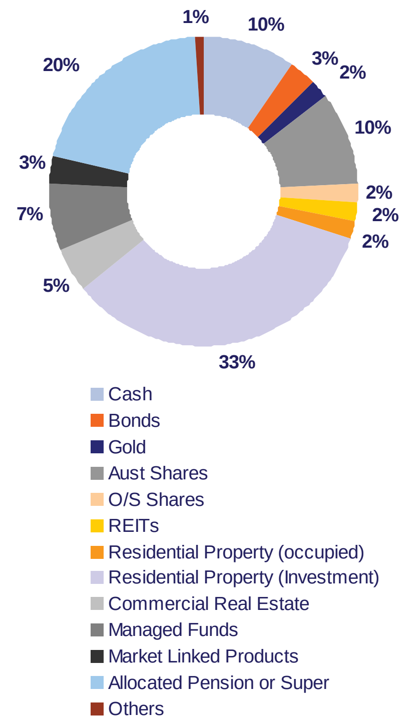
Super Still Core

Superannuation funds have had a rocky time since the credit crisis began, but they still remain one of the core investment tools for Australians. Fourteen percent of investors plan to increase their allocation to super over the next quarter.

Gold Gains Interest

Of those Asian investors that plan to change their portfolio over the next quarter, gold (or gold related assets) has gained popularity. The group average is currently 14% and based on planned allocations will increase to an average of 18% in the next three months. The largest allocation to gold within this group is from Malaysia (28%) and Korea (24%). Australians are also increasingly interested in gold, with the current average allocation increasing from 5% to 11% next quarter.[3]

Chart 6: Average Asset Allocation of Australian Investors



[3] These statistics relate to a sample pool of 201 investors that have stated they plan to change their investment strategy over the next quarter.

Outlook

The ongoing impact of the credit crunch, weakening economic conditions and increasing concerns about job security are weighing on the investment strategies and decisions adopted by investors. As can be seen from this latest Investor Dashboard report, most investors are avoiding higher risk strategies.

Asian investors are sceptical about the impact the US stimulus package will have on economic conditions. Their focus is largely on domestic government monetary and fiscal policies to stimulate economic recovery and therefore improve overall investment conditions within their own markets. A significant majority expect the economic situation to deteriorate over the next quarter. Not surprisingly this means that the majority of investors are expecting their return on investment (ROI) to decline and their personal financial situation to deteriorate.

Inertia remains high, with only 19% of Asian investors planning to change their portfolio over the next quarter. The majority (47%) will maintain the same strategy. Only 12% of Australian investors plan to change their portfolio over the next quarter. Another 23% are undecided and 65% will maintain the same strategy.

ADDITIONAL INFORMATION

COUNTRIES IN THE SURVEY

A combination of online interviews and face-to-face interviews were conducted in 13 Asia-Pacific countries. The following countries were included:

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

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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