

Sydney, Australia — 15 July 2010

Australian investor sentiment turns negative as investment returns drop sharply

- **Appetite for Australian shares hardest hit**
- **Investors continue to view US economic recovery with caution**

Australian investor sentiment has plummeted according to the quarterly ING Investor Dashboard Sentiment Index released today, as investors reel from poor investment performance and look for safe haven assets. The shift sees Australia fall to second-last of 12 countries in the Asia Pacific region in June 2010 - a stark contrast from its equal second positive sentiment position held in March.

The survey measures investor sentiment across 12 countries in the Asia Pacific region, focusing on changes in market sentiment, investment attitudes, investment performance and the financial situation of 3,792 investors. These factors are quantified and averaged resulting in a sentiment score. The Australian portion of the survey was conducted amongst 307 investors with liquid assets of US\$100,000 or above.

Expectations for poor investment returns weighed heavily on sentiment with only 46% of Australian investors expecting higher returns over the coming quarter, compared to three months ago when 75% of investors expected positive performance. This outlook reflects immediate past experience with only 35% of investors reporting positive returns for Q2, compared to Q1 when 72% of investors achieved a positive performance from their investments.

Investors believe higher interest rates are bad for the economy

The outlook for higher interest rates also contributed to falling sentiment with 82% of investors expecting domestic interest rates to rise further during 2010 and 70% believing any rate hike would have a negative impact on the economy.

“Clearly the expectation of further rate rises is a concern to investors and this is likely to impact their future investment decisions,” said Martin Donnelly, Head of Distribution and Deputy CEO of INGIM.

Fears of ongoing troubles in global markets remain. The majority of Australian investors continued to view a US economic recovery with caution and 88% are not anticipating a return to pre-GFC levels for another two or three years. However, Mr Donnelly warned of the downside of being too cautious. “Investors with an overly bearish outlook for the US economy run the risk of missing out on return upside from Australian companies which are leveraged to a US recovery which is our expectation,” said Mr Donnelly.

INGIM expect that US economic recovery will take centre stage and be the biggest positive in the world this year. US productivity is improving; corporate profits are up; industrial production is growing; and US manufacturing is expanding. Consumption is also strong and restocking is also beginning to take place while interest rates remain low. The stimulus packages of last year coupled with a resumption in the flow of credit has

begun to translate into economic growth and the cost cutting story of 2009 is translating into a positive earnings story for 2010.

Europe was less of a concern in the short term with 64% of Australian investors believing the European debt crisis will not affect their investment strategy. However 57% expect Europe's ongoing woes will have some impact on global economic growth in the long term.

Australian investors, along with those in Indonesia, were the most upbeat about China's future prospects with the rest of the surveyed countries believing there is a higher chance China's economy will overheat. "Interestingly, Australia and Indonesia are the two countries that would be most affected by a slowdown and so have a vested interest in its continued economic boom," Mr Donnelly added.

Safety reigns as appetite for riskier assets drops

Australian investors are flocking to cash deposits, gold and bonds with bonds at their most popular level since the GFC. This flight to safety is further reinforced by over a third (35%) of investors expecting further share market falls and looking ahead six months, only 33% of investors considering investing in high growth stocks - down from 54% last quarter.

"The ongoing volatility in the Australian equity market has had a big effect on investor confidence and we expect many to retreat to the sidelines for the remainder of the year", Mr Donnelly said. "However, we believe that despite the recent pullback, the upward trajectory of the Australian equity market remains intact driven by fundamental value reflected in the one year forward Price/Earnings of all companies which are at 11 times versus a long run average of 14 times. Last year was a beta year. 2010 is shaping up to be an alpha year where true stock selection will be paramount."

For a copy of the INGIM Investor Dashboard Sentiment Survey please contact Honner Media.

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About ING Investment Management

ING Investment Management is the specialist global investment arm of ING Group, one of the leading financial services companies in the world and with more than A\$530 billion in assets under management worldwide across different asset classes. In Australia, ING Investment Management also has a strong presence, with 44 investment professionals managing around A\$35 billion of clients' assets. INGIM's clients include institutions such as superannuation funds, government agencies and charitable organisations, as well as individual investors.

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