

The ING Investor Sentiment Tracking Study (“ING Investor Dashboard”) measures investor sentiment and the behaviour trends of affluent investors across 13 Asia Pacific markets.

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

October 2009

For Institutional Investors Only

insights

ING INVESTMENT MANAGEMENT

# ING Investor Dashboard September 2009

## An insight into investor opinions, trends and outlook

### About Investor Dashboard

In conjunction with research firm Research International, ING interviewed 1,342 mass affluent investors<sup>1</sup> in September 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 perceptions in the region. This is the ninth investor tracking sentiment study which began in July 2007. This paper provides a summary of findings from the September 2009 survey (Wave 9), with a particular emphasis on the views of Australian investors.

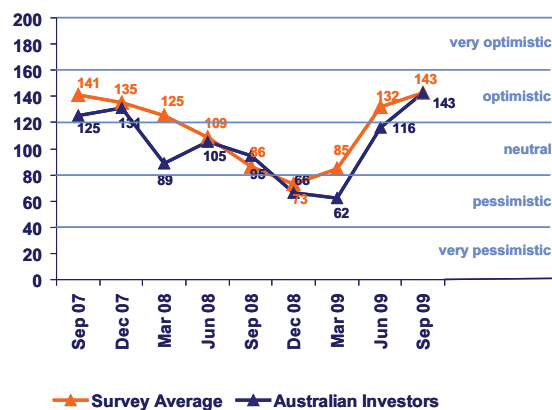
### Investor Sentiment Score

The investor sentiment score across countries in the Asia Pacific continued to rise over the September quarter, underpinned by an improving economic outlook and the strong performance of financial markets across the region. The index rose by 11 points since the previous survey from 132 to 143, maintaining an optimistic overall tone.

<sup>1</sup> 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.

Sentiment improved in all but two countries, India and Japan. Even so, India still remained the most optimistic country in the region, followed by China. Australian sentiment improved markedly over the course of the quarter, with the sentiment score rising from 116 to 143, the first signs of optimism since December 2007.

Chart 1: Pan-Asia Investor Sentiment Score\* (September 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



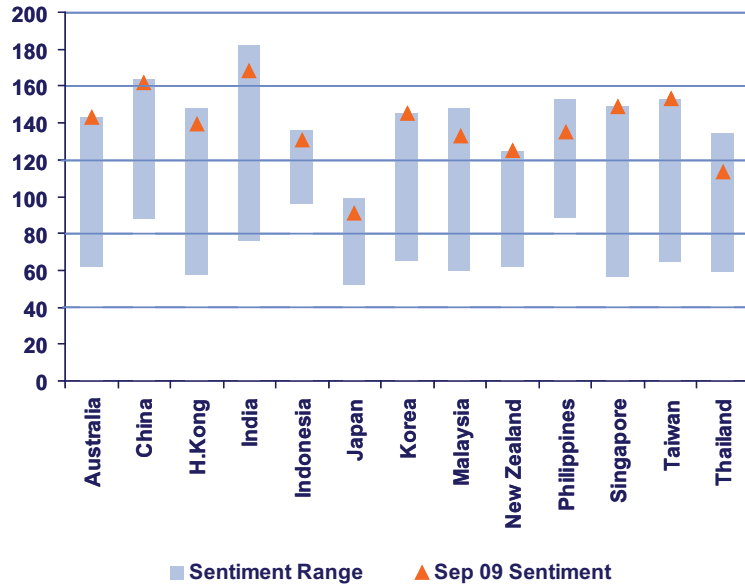
**Stock markets have been rising**

Country	Index	Qtr Change*
Australia	S&P/ASX200	20%
China	Shanghai A Shares	-2%
Hong Kong	Hang Seng	19%
India	Sensex 30	15%
Indonesia	JSX Composite	19%
Japan	Nikkei 225	4%
S. Korea	KOSPI 100	25%
Malaysia	KLCI	13%
New Zealand	NZX 50	13%
Philippines	PSEi	14%
Singapore	FSSTI	13%
Taiwan	TSEC	14%
Thailand	Thai Stock Exchange	24%

\* Change in stock market indices from July to September 2009

Chart 2 shows the sentiment range by country since the survey began in July 2007. We can see the impact the global financial crisis has had on investor confidence over this period, with 10 of the 13 countries registering pessimistic sentiment at some stage over the last two years. Even in India and China, which are generally optimistic, we have seen large swings in sentiment. The latest sentiment scores are either at or near the top of the country sentiment ranges. Is this a sign that investors believe the worst is over?

Chart 2: Investor Sentiment Score by Country  
Since inception date\* to September 2009



\* Inception date is July 2007

Sentiment range covers the lowest and highest sentiment score recorded by each country since the survey began.

Much of the improvement in sentiment has been driven by the following factors:

- A continued rise in stock markets across the region, this is despite a forecast of GDP contraction for most countries in the region. However, the pace of the rise this quarter was not as great as in the June quarter.
- The outlook for property has also been promising. In all but four countries, the proportion of investors who expect real estate prices to rise has gone up.
- Investors in all countries (with the exception of Japan and India) believe that domestic economic conditions have improved and their outlook for the next three months is also mainly positive.
- Inflation has been benign and therefore has not impacted investment decisions to date.
- Most investors think that the US economy (the commonly viewed GFC scapegoat) has been improving. The negative impact from US factors is diminishing with most investors now believing the US economy will have a positive impact on their investment decisions. Even so, the majority of investors expect the US will take one to two years to come out of recession and 82% think that a second US stimulus package may be required in 2010.
- The majority of investors stated that their return on investment (ROI) and their household financial situation has improved in the past three months.

## Economic Conditions

About 62% of respondents in the survey believe that their local economic situation has improved over the last three months, the most notable improvements being in China (83%), Singapore (82%) and Australia (76%). Australian investors' view of the economic situation was one of the strongest increases over the quarter, compared with the previous survey when only 46% thought the economy had improved.

In addition 69% of the survey respondents expect economic conditions to improve over the next three months in contrast to only 10% that think they will get worse. Australians are also very optimistic, with 78% expecting an improvement compared to only 8% expecting a deterioration.

More Australians in the survey (48%) thought that their household financial situation had improved compared with 20% that thought it had deteriorated. The remaining 32% thought conditions had not changed since last quarter.

In terms of their personal financial situation, Australians have shown a similar sentiment to the regional average, with 50% of Australians stating an improvement, 33% no change and 17% deterioration.

When looking at their household and financial situation over the next three months, Australians showed a marked increase in positive sentiment, with 62% and 58% respectively, expecting an improvement.

Despite a more positive view of economic conditions, household finances and their personal financial situation, the majority of investors across the region don't think their governments have done enough to address the economic situation. Australian investors have been disappointed by government actions with 8% saying the Government has done nothing to address the economic situation and 48% saying the Government has done some, but not enough.

## Return on Investment (ROI)

The majority of investors have noted an increase in their return on investment (ROI) in the Wave 9 survey, with 56% reporting an increase compared with only 16% reporting a decrease. The majority of Australian investors (58%) stated that ROI had increased in the past three months. They are increasingly optimistic about future ROI as well, with 66% expecting an improvement in the next three months.

Two sectors which are most important to Australians appear to be embedded in this positive outlook for ROI – stocks and property.

- The Australian stock market has enjoyed a strong run with the S&P/ASX 200 up 20% for the September quarter. Sixty-seven percent of Australians in the survey think the stock market will continue to rise in the next quarter, compared with 51% in the last survey.
- Real estate markets are being viewed with a sense of optimism with 61% of survey respondents expecting property prices to rise, compared with 43% in the previous quarter.

## Investment Strategy

The majority of investors across the region have continued to use a balanced investment strategy during Q3/09. In terms of the most aggressive investors, these tend to be in China, Hong Kong, India, Taiwan, Singapore and Korea.

Australia, Taiwan and Singapore have shown a declining proportion of conservative investors. This trend has been occurring gradually over the last three quarters, with investors moving into either balanced or aggressive strategies. Whereas, investors in New Zealand continue to be the most cautious, with 52% adopting a conservative strategy.

Chart 3: Change in Australian Sentiment - Q209 to Q309

% of Australian Investors that rate factors 'positively'

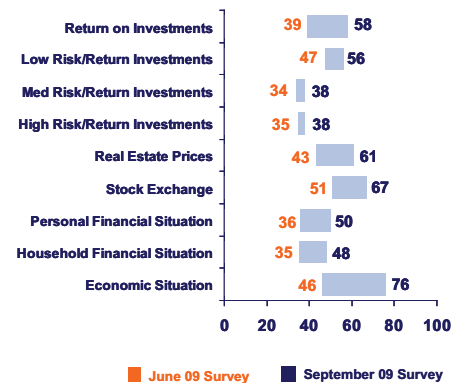
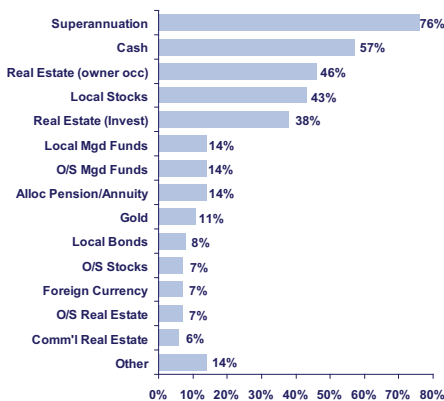


Chart 4: Current Investment Tools  
% of Australian Investors using these investments



When asked about their views on high, medium and low risk/return investments 55% of investors regard medium risk/return investments most favourably, followed by low risk/return (50%) and high risk/return (46%) investments. Australian investors are even more cautious, with 56% having a favourable view of low risk/returns investments followed by medium risk/return (38%) and high risk/return (38%) investments.

## Investment Tools

Domestic assets continue to be the most favoured investment tools in the Asia Pacific region. The majority of an investor's portfolio is cash, local residential property and local stocks. Gold has become an important component of portfolios in some countries, especially in Thailand, India and Indonesia. Overseas exposure is being obtained through mutual funds and unit trusts as well as some direct exposure to overseas stocks.

The profile of the average Australian investor is:

- Between three to four types of investment tools used, on average.
- Superannuation is the most common investment tool (76%). The number of investors leaving their super strategies unchanged has gradually increased (now 38%) as the impact of the GFC has lessened.
- Cash is the second most common tool (57%), but it has fallen since last quarter (65%).
- Owner occupied residential real estate (46%) remains high, but residential real estate for investment purposes has fallen from 56% to 38% over the quarter.
- The local stock market (43%) remains a popular tool. Of those investors who have direct investment in local stocks, 64% have exposure to financial services stocks, reflecting a high level of confidence in the local banking system.
- Gold exposure (from 16% to 11%), local managed funds (from 20% to 14%) and fixed income exposures (from 11% to 8%) have fallen this quarter, whilst allocated pensions/annuities have gained in popularity (from 10% to 14%).

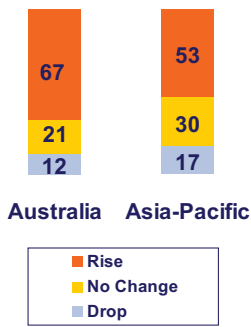
## Outlook

Economic conditions have improved across the region, which has led investors to be more comfortable with aggressive asset classes, such as shares and property. Coupled with this more optimistic view of economic conditions is an expectation that inflation will rise in the coming quarter.

Fifty-five percent of Asian investors think inflation will rise, with only 34% expecting it to stay the same. In comparison, 60% of Australian investors expect inflation to rise, yet only 44% expect inflation to affect their investment decisions over the next quarter. Looking out to 2010, most investors expect inflation to rise, with Australia (90%) and Hong Kong (88%) posting the highest positive response.

This survey was completed before the interest rate rise announced by the Reserve Bank of Australia (RBA) on 6 October, yet the majority of Australian investors had already anticipated this possibility. This is not surprising, as there has been considerable discussion in the media that the RBA would most likely raise interest rates before the end of the year. Sixty-five per cent of Australian survey respondents thought domestic interest rates would rise in Q4/09. In addition, 93% of Australian investors expect interest rates to rise in 2010. This is the highest in the region.

Chart 5: View on Stock Market over next 3 months



How are investors planning to tackle inflation and rising interest rates?

The most popular investment tools for beating inflation in the Asia Pacific region are gold, property and stocks. Australians are mostly interested in property and stocks. This is an important point because the performance of the stock market is an influential factor when Australian investors make investment decisions. The recession and the worsening of the US economy has had less of an impact on their decision making. Hence, the future outlook for the Australian stock market is critical to investor sentiment.

A large majority (63%) of Australians felt that corporate earnings results in Q3/09 met their expectations and 19% thought they had exceeded their expectations. However, investors were somewhat pessimistic on the business outlook, with 63% expecting negative corporate news in the next six months. This may result in fluctuating investment sentiment with regard to Australian stocks during 2010.

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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