

The ING Investor Sentiment Tracking Study ("ING Investor Dashboard") measures investor sentiment and behaviour of mass affluent investors across 13 Asia Pacific markets.

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

July 2008

insights

ING INVESTMENT MANAGEMENT

ING Investor Dashboard June 2008

An insight into investor opinions, trends and outlook

About ING Investor Dashboard

In conjunction with global research firm TNS, ING interviewed 1,313 mass affluent investors¹ in June 2008 in 13 countries across the Asia Pacific region.

Questions included views on government policy, the economy, household and personal finances, the stock market, expectations in return on investments and risk tolerance.

This paper provides a summary of the current views of Asian investors, particularly Australian investors.

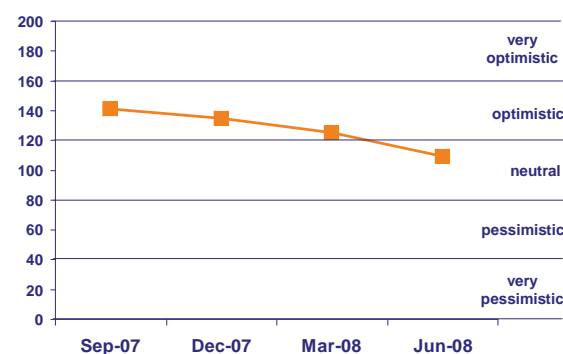
Investor Sentiment Score

The June 2008 result shows a decline in the investor sentiment score by 13% since last quarter. Concerns regarding a global economic slowdown and regional political developments are beginning to impact investor confidence. In fact there has been a steady decline since the survey began in September 2007 - moving from optimistic to neutral.

The data this quarter suggests that high growth markets like China and India lag the more developed markets in investor sentiment cycles.

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.

Chart 1 - Investor Sentiment Score Quarterly Trend

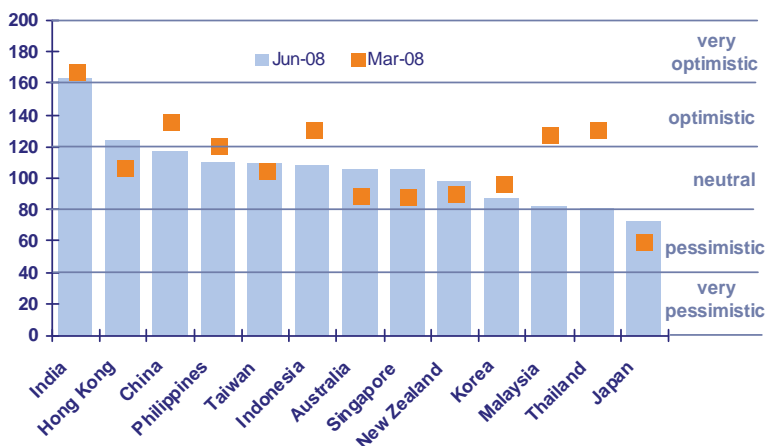


Both of these countries were the stand-out optimists in the March 2008 survey whilst developed economies like Australia and New Zealand bordered on pessimism. There now appears to be a role reversal as China is beginning to acknowledge the effects of the global economic slowdown and market pressures whilst Australia and New Zealand are starting to reverse the trend in negative sentiment. A number of developed markets showed a rise in investor sentiment this quarter. Hong Kong rose from 107 (neutral) to 123 (optimistic) - the highest increase across Asia.

Sentiment in China fell from optimistic to neutral for the first time since we began these surveys. A larger proportion of Chinese investors' stated that their local economic situation, return on investment (ROI) and personal financial situation had deteriorated.

Economic and political developments are also impacting Thailand and Malaysia. Both these countries experienced a large decline in investor sentiment, moving from optimistic to borderline neutral/pessimistic. Along with Japan they had the weakest sentiment score this quarter.

Chart 2 - Investor Sentiment Score by Country



Economic Conditions

Economic conditions are one of the key drivers of overall sentiment. On average, 56% of investors believed that economic conditions had deteriorated in the last quarter. The most pessimistic investors were from Korea, Thailand and Indonesia.

Amongst Australian investors 56% believed domestic economic conditions had worsened, albeit an improvement since last quarter, when 72% had negative views of the economy.

The two key factors that have weighed on Asian investors' minds are the US sub-prime crisis and inflation. Over 71% of investors stated that the sub-prime crisis has affected their investment decisions and over 81% have also claimed inflation to have an impact. Furthermore, these two factors have remained front of mind in the three month outlook.

The big question is whether investors believe economic conditions will improve in the coming months. Overall, more investors expect a deterioration than an improvement in their domestic economy over the next three months. Australian views are consistent with the survey average. However, Australian investors' views on the US economy are more negative, with half expecting US conditions to worsen over the next quarter compared to the investor average of 39%. The affect of the US economy on the Asian market cannot be underestimated with 71% of Asian investors citing that it is influential in their decision making (see Table 1).

Return on Investment (ROI)

More investors experienced 'no change' (34%) to their return on investments (ROI) than last quarter (24%). In addition, investors who stated a decrease in ROI were mainly in China, Singapore, Thailand and Australia.

Australians have had an interesting period, with declining investment markets and increasing inflation. In the March 2008 survey over 56% of Australians claimed their ROI had decreased. In the current survey only 40% had stated a lower ROI.

Table 1 - Economic Outlook: Australian Investors v Average

Outlook for next 3 months	Australian Investors	Investor Average
Domestic Economy		
- will improve	31%	37%
- no change	27%	22%
- will worsen	42%	41%
US Economy		
- will improve	17%	31%
- no change	33%	27%
- will worsen	50%	39%

Is the worst over? If we look at Australians forecasts on their ROI for September 2008 there appears to be a more positive view with 46% expecting an increase in ROI and only 22% expecting a decrease in ROI (see Chart 3).

Investment Tools

Common Investment Tools

The most common investment tools being used last quarter across the region continues to be cash, domestic shares, domestic property and managed funds. Overseas assets (shares/bonds/property) and Real Estate Investment Trusts (REITs) continue to be avoided.

Strategies to Counter Inflation

A number of investors stated they were looking at ways of dealing with inflation. Over 80% of investors stated that inflation had affected their investment decisions last quarter.

Interestingly, strategies to counter inflation vary between markets. In markets such as Hong Kong, Singapore, China and India, investors are pursuing a number of different investment options such as stocks, foreign currencies, gold and property.

Other markets are adopting more of a wait-and-see approach and putting more money aside for daily expenses. Australian investors fall into the wait-and-see category, with 38% stating they hadn't decided what to do. Another 20% were reserving more money for daily expenses. Only 28% had considered changing their investment strategy or investing more into particular strategies in order to beat inflation.

The chart below shows the top five countries for the most dominant tools being used by investors to beat inflation. Shares remain one of the most popular investment tools with broad appeal across the region, as are gold and foreign currency.

Table 2 - Investment Tools for Beating Inflation - Most Popular Choices by Country

Gold	Shares	Property	Cash/Deposits	Foreign Currency
Indonesia (50%)	Hong Kong (75%)	Indonesia (61%)	Australia (52%)	Hong Kong (51%)
China (42%)	Thailand (71%)	India (54%)	Philippines (31%)	Philippines (38%)
Korea (30%)	Japan (57%)	Malaysia (40%)	New Zealand (30%)	Taiwan (33%)
New Zealand (30%)	Singapore (49%)	China (36%)	Indonesia (29%)	Singapore (29%)
India (29%)	Australia (43%)	Philippines (34%)	Korea (27%)	New Zealand (25%)

Interest in Global Resources

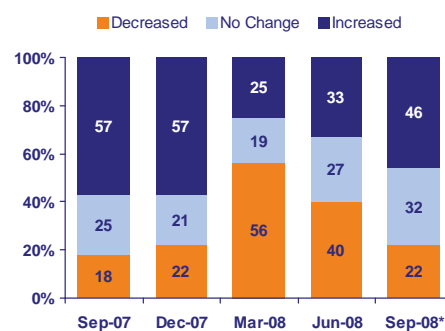
Investors were asked if they would consider investing in global resources over the next three months. The response was upbeat, with 38% of investors on average, willing to put money into global resources investments. Hong Kong investors were the most positive with 74% of them considering this investment option. This was followed by investors in China (65%), Singapore (60%), Korea (59%), and Taiwan (47%). Australian investors also showed interest, with 43% considering global resources investments.

Outlook

In conclusion, the fall in domestic stock markets, a slowdown in the U.S. economy and increasing domestic market pressures are the key drivers of investor sentiment this quarter.

Investors expect inflation to continue rising and it remains a key concern. Many of the markets, such as Malaysia, Indonesia and The Philippines have a higher exposure to rising oil prices than the other Asian markets. In addition Chinese investors are probably feeling some impact from the recent cut in oil subsidies. In Australia 61% of investors expect inflation to continue to rise, with only 10% expecting it to decline.

Chart 3 - Australian Investors Return on Investment (ROI)



*View on expected change in ROI in next three months

We have seen that investors have begun examining their investment portfolios to hedge against inflation. This appears to be a key driver of investment decisions in Hong Kong, Singapore, China and India. Other countries seem to be taking a wait-and-see approach and appear undecided about what investment strategies to use for beating inflation.

Australian investor sentiment appears to be turning the corner, albeit slowly. While the overall sentiment is still biased towards pessimism, this has decreased since last quarter, with more investors expecting an increase in return on investments; and improving local economy and an improvement in their personal financial situation.

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 the individual 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.

$ISS = \text{Average of } [(T2B\% - B2B\%)i + 100\%]$ 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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