

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.

October 2008

insights

ING INVESTMENT MANAGEMENT

ING Investor Dashboard September 2008

An insight into investor opinions, trends and outlook

About ING Investor Dashboard

In conjunction with global research firm TNS, ING interviewed 1,307 mass affluent investors¹ in September 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.

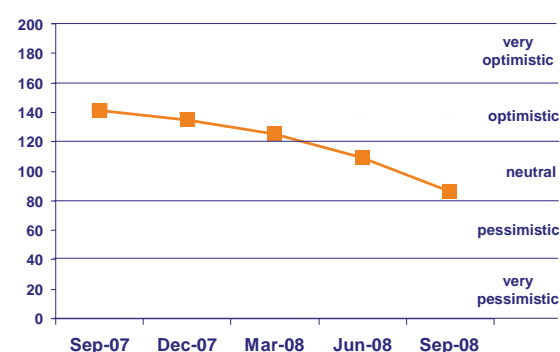
This paper provides a summary of the current views of Asian investors, particularly Australian investors.

Investor Sentiment Score

The September 2008 result marks a full year of the ING Investor Dashboard and reveals how the credit crisis has affected investor confidence over this period. As at the end of September 2008, the investor sentiment score for the Asia Pacific region registered the largest quarterly fall since the survey began, dropping by 21% from 109 to 86. Year-on-year the investor sentiment score has fallen by 39% moving from optimistic to the lower end of neutral.

The worsening global financial crisis, slowdown in the US economy and inflation are the key areas of concern for investors.

Chart 1 - Quarterly Trend of Investor Sentiment Score



Over 70% of investors rate each of these factors as having a major impact on their investments.

Furthermore, US dependent markets such as China, Hong Kong, Singapore, Korea and Taiwan have registered the greatest sensitivity to volatility in global markets.

Chart 2 (see next page) shows that India, the Philippines and Indonesia are the only optimistic investor groups. Australian confidence has fallen, but remains in the neutral band, along with four other countries. Japan remains the most pessimistic country.

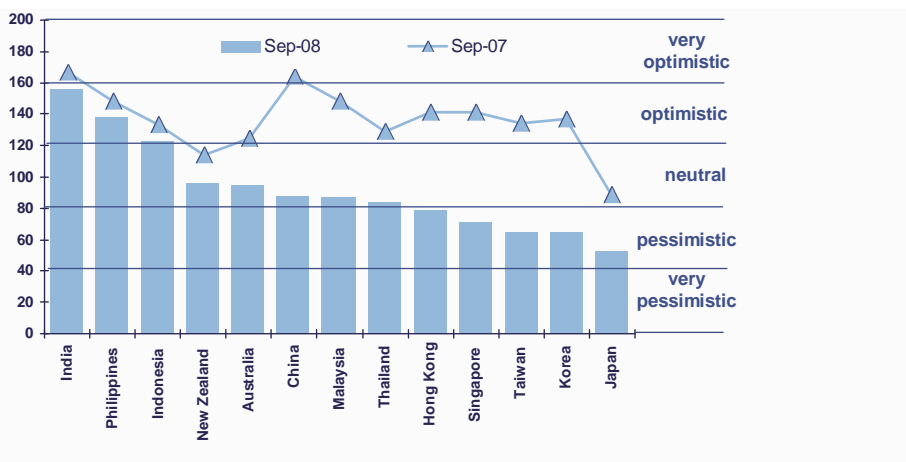
¹ Mass affluent investors are defined as those individuals aged 30 years or above who have disposable assets or investments of US\$100K or above. Exceptions are Indonesian investors, who required a minimum of US\$56K or above; and Philippine investors who require US\$100K or monthly personal income of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

The investor sentiment score gauges the confidence of private investors. It will vary between 0 to 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

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. On a year-on-year basis we have seen a major shift in sentiment, with a number of countries moving from optimistic to pessimistic. China has fallen from very optimistic to borderline neutral/pessimistic.

Chart 2 - Investor Sentiment Score by Country



Economic Conditions

On average, 58% of investors believe that economic conditions have deteriorated in the last quarter. Amongst Australian investors 61% believe domestic economic conditions have worsened, with 25% stating they have improved and 14% stating no change.

The sub-prime crisis has gone up another notch in investor concerns, with 78% of Asian investors stating they have been affected by it. Australian concerns rose 11 percentage points to 77%. Furthermore, 81% of Australian investors expect sub-prime to continue to impact their investment decisions for the remainder of this year.

The US economy has also played a large part in investor decision making, with over three quarters of respondents citing this as a detrimental factor. Australian investors are showing similar concerns with 45% of them expecting the US economy to deteriorate over the coming quarter.

We have seen some inflation pressures ease with a reduction in oil prices and commodities overall. The effect of inflation on investor decisions is still high with 79% of Asian investors on average citing this as an issue. Australians show the least effect with 53% saying inflation has affected their investment decisions. Interestingly 52% of Australians thought inflation would rise in Q4/08. These views were recorded before the Reserve Bank of Australia announced a larger than expected interest rate cut in early October.

Return on Investment (ROI)

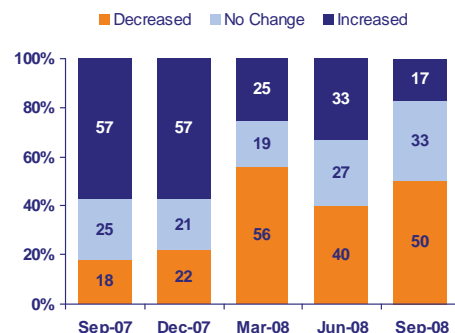
Since the Investor Dashboard survey began we have seen a significant decline in confidence. Only 17% of Australian investors have noted an increase on their return on investments (ROI) last quarter compared with the survey average of 23%.

In Chart 3 we can see how the heightened volatility in investment markets has been reflected in the changing fortunes of Australian investors over the course of 2008. After a negative outlook in March, we moved to much improved views on ROI in June, only to fall back to another weak ROI report in September.

Table 1 - Investor Outlook for Dec Quarter 2008

Outlook for Q4/2008	Australian Investors	Asia Pacific Investor Average
View on inflation		
- will rise	52%	54%
- no change	35%	27%
- will decline	13%	19%
View on US Economy		
- will improve	22%	32%
- no change	34%	29%
- will worsen	45%	39%
Sub-Prime Crisis will affect investment decisions		
- yes	81%	74%
- no	19%	26%

Chart 3 - Australian Investors Return on Investment (ROI)



Risk Tolerance

In general, investors are moving towards lower risk investments as they deal with this current downturn in financial markets. If we look at the trend analysis in Chart 4 we can see the shift between low, medium and high risk investments across the Asia Pacific region and the relative risk profile of Australian investors. Australians have shown a greater sensitivity to risk than the survey average, with 60% favouring low risk investments.

Investment Tools

Cash holdings still remain high across the region with 35% of investors saying they plan to invest more in this asset class. Since the last survey in June 2008, we have seen a switch away from local shares and a greater interest in gold. However, local shares still remain a popular option. Property funds/REITs and local bonds have gained more popularity across the region.

The shift in attitude towards resources has changed dramatically from the previous quarter when 40% of investors said they were planning to invest in this sector. This number has now reduced to 28%. Australian investors are consistent with this trend moving from 43% in the June survey to 31% in the September survey.

Table 2 shows the most popular investment tools that Asia Pacific Investors plan to either "invest in" or "invest more in" over the next quarter (i.e Q42008).

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

Gold	Local Shares	Property Funds or REITS	Cash/Deposits	Local Bonds/ Fixed Income
India (77%)	India (36%)	China (60%)	Hong Kong (51%)	Hong Kong (51%)
China (42%)	Hong Kong (34%)	India (42%)	Philippines (47%)	China (51%)
Indonesia (35%)	Singapore (32%)	Singapore (31%)	China (45%)	India (48%)
Singapore (29%)	Australia (29%)	Korea (25%)	Korea (44%)	Korea (37%)
Thailand (29%)	Korea (26%)	Philippines (20%)	Indonesia (40%)	Singapore (35%)

Superannuation, cash and local shares are the investment options that Australian investors favour over the next three months (as shown in Table 3).

The resurgence of superannuation as a popular investment may have a lot to do with the level of publicity surrounding super funds after posting negative annual returns in this financial year. A number of superannuation funds and commentators were promoting the merits of increasing investment exposure when markets are down and investing at the current low prices, citing that members would achieve a greater return when the markets eventually recover.

The interest in local shares is surprising, given that 60% of investors are favouring low risk strategies. However, it may be more a reaction to the sudden falls in equity markets, suggesting that some investors believe that the sell-off is possibly overdone and prices are becoming increasingly attractive.

Outlook

US dependent markets have naturally been more sensitive to developments in the US and the volatility in the global markets. We expect investor sentiment in the US-dependent markets to further decline in the coming quarter as the US and Europe begins to show the impacts of slowing global growth and recessionary pressures.

Chart 4 - Risk Tolerance

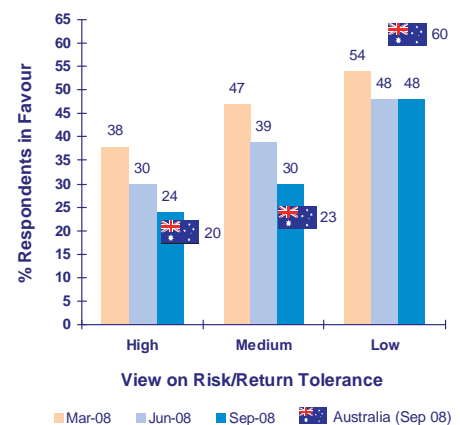


Table 3 - Investment tools used by Australian investors

Most Common Investment Strategy for next 3 months	Invest Less	Will invest	Invest More
1. Superannuation	6%	2%	26%
2. Cash/Deposits	6%	4%	22%
3. Local Shares	8%	8%	21%
4. Index Link Deposits	2%	13%	14%
5. Local Residential Real Estate*	6%	8%	13%

South East Asian markets including Indonesia, Malaysia, the Philippines and Thailand have shown an increase in investor sentiment possibly because they depend on commodities for economic growth. Commodity prices have been relatively high throughout the year, only softening in more recent times. These markets also have large domestic economies which help to shield them from a significant direct impact from the US and global economic developments. The same can be said for markets like India.

However, we believe that these markets will not be immune from the impact of the global crisis and the recent heavy falls in commodity prices. Hence we expect to see weaker sentiment in the coming quarter.

Australian investor sentiment has deteriorated in the last quarter. Despite a much more resilient Australian financial sector and better economic conditions than our overseas counterparts, it is clear that, a slowing domestic economy, the US recession and the continuing fallout from the global financial crisis, is having a major impact on Australians' investment returns and sentiment.

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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