

Securities offered through ING Financial Advisers, LLC (Member SIPC) or other broker/dealers with which it has a selling agreement.

# Executive Summary – Asset Allocation Views

By Brian Gendreau, Ph.D., Investment Strategist

Through insurance portfolios, mutual funds and separate accounts, ING offers investment opportunities in domestic and international equities, fixed income and short term money market instruments. We employ a disciplined and transparent decision process using rigorous quantitative analyses in support of the investment judgment of seasoned professionals. Our service provides active asset allocation recommendations at the strategic and tactical levels, within a fully integrated program capable of meeting diverse investment needs.

Our asset allocation recommendations reflect our current expectations about returns, risks and potential market interactions.

## Investment Themes

■ Consumers were spending their tax rebates right on schedule, raising retail sales in May. Higher gasoline prices, however, now threaten to cancel out the stimulus provided by the rebates. GDP growth is likely to decelerate in the second half of the year as higher energy costs dampen consumer spending.

■ Bond and futures markets priced in a series of potential rate hikes after Fed Chairman Ben Bernanke warned about inflation in a speech in early June. Fed officials have since signaled that they believe the markets have priced in too much tightening too soon.

■ Before tightening, the Fed will want to wait until it can determine whether the boost to the economy from the fiscal stimulus package and past monetary easing will last into the third and fourth quarters of this year, and how much damage \$141 per barrel oil has done to the economy, in our view.

■ Commodity prices and weakness in the dollar are putting upward pressure on headline consumer price inflation. There is no evidence yet, however, that a wage-price spiral is developing that would raise core inflation.

■ After rising over 12% from its low in early March when concerns about a recession and financial system instability were at the fore sentiment has taken a turn for the worse in the U.S. stock market. It will likely take lower oil prices and a rebound in growth for the market to rally from current levels.

■ On July 1 we moved back to neutral in U.S. large-cap, mid-cap and small-cap stocks and raised our allocation to bonds to neutral. With the market being driven by oil prices, overweight equity positions are vulnerable to a rise in oil prices, and underweight positions risk missing any gains that occur if oil prices fall.

■ GDP growth in the eurozone, the U.K. and Japan is decelerating. The European Central Bank, meanwhile, has signaled that it is inclined toward a one-off raise in policy rates in July to dampen inflation expectations. With rising risks to both growth and inflation abroad we choose to maintain our neutral position in international equities.

## Current Positions — Model Portfolio

	Benchmark (%)	Recommended Allocation (%)	Change from Last Move
<b>Major Asset Classes</b>			
Stocks	65.0	65.0 Neutral	Reduced
Bonds	35.0	35.0 Neutral	Raised
Cash	0.0	0.0 Neutral	Unchanged
<b>Allocation Among Stocks</b>			
<b>Domestic U.S. Stocks</b>			
Large-Cap Core	18.0	18.0 Neutral	Reduced
Large-Cap Growth	13.5	13.5 Neutral	Unchanged
Large-Cap Value	13.5	13.5 Neutral	Unchanged
Mid-Cap	4.0	4.0 Neutral	Raised
Small-Cap	6.0	6.0 Neutral	Raised
<b>International Stocks</b>			
EAFE Stocks	10.0	10.0 Neutral	Unchanged

Note: the model portfolio is intended to illustrate our views across multiple asset classes. It does not represent client portfolios, which may vary with risk tolerance and investment goals.

Certain of the statements contained herein are statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, (ii) performance of financial markets, (iii) interest rate levels and (iv) increasing levels of loan defaults.

Commentary reflects views of the portfolio manager only through the end of the month, and is subject to change based on market and other conditions. It should not be assumed that any security transactions, holdings, or sector discussed were or will be profitable, or that the investment recommendations or decisions we make in the future will be profitable.

Securities offered through ING Financial Advisers, LLC (Member SIPC) or other broker/dealers with which it has a selling agreement.

#### **For More Information**

**You should consider the investment objectives, risks, and charges and expenses of the variable product and its underlying fund options or the mutual funds offered through a retirement account carefully before investing. The prospectuses contain this and other information and can be found at [www.ingvfc.com](http://www.ingvfc.com).**

Variable products and retirement programs are long-term investment vehicles designed for retirement purposes and are subject to market fluctuation, investment risk and possible loss of principal.

Variable products are not guaranteed, are subject to investment risk, and will fluctuate in value. In addition, there is no guarantee that any variable investment option will meet its stated objective.

This review has been prepared by ING Investment Management for informational purposes. Any opinions expressed herein reflect our judgment and are subject to change.

All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. Investors should consult the Portfolio's Prospectus and Statements of Additional Information for a more detailed discussion of the Portfolio's risks. International portfolios may be sensitive to currency exchange rates, international, political and economic conditions and other risks that also affect foreign securities.

Variable products are issued by ING Life Insurance and Annuity Company and ReliaStar Life Insurance Company and are distributed by ING Financial Advisers, LLC (Member SIPC). All companies are members of the ING family of companies.

ING Investment Management Co. is a sub-adviser for many of ING Funds' funds. Both ING Investment Management Co. and ING Funds Distributor, LLC are wholly-owned subsidiaries of ING Groep.

This material is used with written permission from ING Investment Management Co. Any unauthorized use of this material is not allowed.

ING Funds Distributor, LLC  
7337 East Doubletree Ranch Road, Scottsdale, AZ 85258  
**(800) 992-0180**

[WWW.ING.COM/US/PROLOGIN](http://WWW.ING.COM/US/PROLOGIN)