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# Executive Summary – Asset Allocation Views

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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

■ Earlier this year the markets were focused on the prospects of a recession in the United States. Now attention has shifted to the rapid deceleration of growth in Europe, the U.K. and Japan, also appear to be slipping into recession.

■ The global slowdown, apparent in the 8% slide in JPMorgan's Global Purchasing Manager Index this year, is affecting commodity and currency markets worldwide. With output weakening in Europe and Japan and central banks no longer in tightening mode, the U.S. dollar has risen by almost 5% in trade-weighted terms since mid-year.

■ Although the United States may no longer be the slowest growing economy in the developed world, it faces at least two more quarters of slow growth and a possible recession.

■ Falling commodity prices will lead to lower headline consumer price inflation. It now seems there is little danger that a wage-price spiral will develop in the United States.

■ The long-energy and short-financials trade that worked so well earlier this year has reversed. Energy stocks (using ENERGY SELECT SPDR, the financial sector ETF as a proxy) are down over 9% since the stock market's low of this year on July 15, while financial stocks (Financial Select Sector SPDR) are up 27%.

■ On July 1 we moved to neutral across the board in all asset classes. With the market being driven almost exclusively by oil prices, we sought to avoid the overweight equity positions that are vulnerable to a rise in oil prices, and the underweight positions that risk missing any gains that occur should oil prices fall.

■ We are maintaining the neutral positions in our asset allocation portfolios, but are now looking for an opportunity to increase our equity exposure. Whether we raise our equity exposure will depend on whether it appears that there is a global recession or growth is simply slowing.

## Current Positions — Model Portfolio

	Benchmark (%)	Recommended Allocation (%)	Change from Last Move
<b>Major Asset Classes</b>			
Stocks	65.0	65.0 Neutral	Unchanged
Bonds	35.0	35.0 Neutral	Unchanged
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	Unchanged
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	Unchanged
Small-Cap	6.0	6.0 Neutral	Unchanged
<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.

The JP Morgan Global PMI It is derived from data produced using internationally comparable methodologies covering around 10,000 survey respondents in over twenty countries, which collectively represent 76% of global economic output. It has wide sector coverage, including both manufacturing and services. The indicators are based on the highly-regarded world-wide national Purchasing Managers' Index surveys (conducted by Institute for Supply Management in the United States), which have developed an unmatched track record of correctly anticipating economic growth and other key economic variables. **Investors cannot invest directly in an index.**

Energy Select Sectpr SPDR (NYSE: XLE): The investment includes companies from the following industries: oil, gas, energy equipment & services. The fund will normally invest at least 95% of its total assets in common stocks that comprise the relevant Select Sector Index. It is nondiversified.

Financial Select Sector SPDR (NYSE: XLF) The investment includes companies from the following industries: oil, gas, energy equipment & services. The fund will normally invest at least 95% of its total assets in common stocks that comprise the relevant Select Sector Index. It is nondiversified.

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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.

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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.

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