

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

- Growth is slowing in Europe and the emerging markets. The slowdown in growth is leading to lower commodity prices, which may result in lower inflation and greater consumer purchasing-power in oil-consuming countries.
- The question now is whether the lower inflation will allow central banks to ease — or at least remain on hold — providing their economies with room to grow, or whether the world will slip into recession. Our view is that there is enough momentum in the global economy to ensure that growth will not turn into a contraction, but the downside risk is substantial.
- Although preliminary figures point to above-trend 3.3% real Gross Domestic Product (GDP) growth in the second quarter of 2007 in the United States, growth is likely to decelerate in the current and next quarter. In our view, the U.S. may even face a quarter of economic contraction before growth picks up in the first half of 2009 (as the drag on the economy from the weakness in housing fades).
- Falling commodity prices will lead to lower headline consumer price inflation in the United States and abroad. The risk that a wage-price spiral would develop in the United States, which always is low, is now even lower.
- The placing into conservatorship of Fannie Mae and Freddie Mac should result in a reduction of mortgage spreads, rates on agency mortgage-backed securities and eventually

Current Positions — Model Portfolio

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

- mortgage rates in general. This is a positive development for the housing market, where high mortgage rates and reduced mortgage availability were threatening to choke off any recovery.
- In early July we moved to neutral in all asset classes. At the time our concern was that the markets were reacting to oil prices to the exclusion of all other factors, and that the difficulty involved in predicting oil prices made any exposure — overweight or underweight — risky.
- While we are looking for opportunities to add to our equity positions, we are staying neutral for the time being. One reason is that in contrast to its earlier hypersensitivity to oil prices, the stock market has not, in our view, responded adequately to the more than 25% decline in oil prices since July.

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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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