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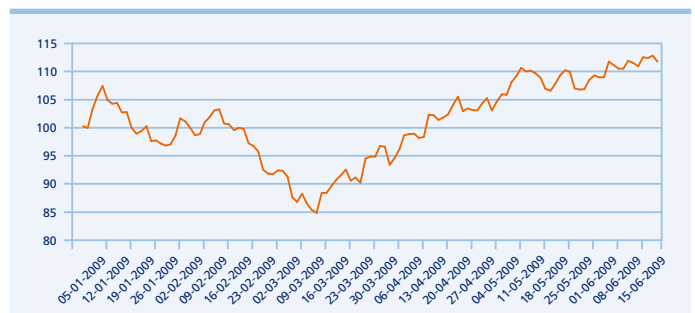
June - July 2009

Monthly Investment Newsletter

Equities: In the twilight zone

- Equity investors have just experienced one of the biggest roller-coaster rides in human history. A tremendous fall in prices was followed by an impressive recovery.
- This all happened in a timeframe of months. Never in post-war history did the global economy collapse so fast nor did governments and central banks act so aggressively.
- At the end of 2008 and the beginning of 2009 markets still discounted a depression (deflation) scenario. Thanks to policy makers, the depression scenario has disappeared, a clear positive.
- Policy makers contributed substantially to the longer than expected rally in equities and in (high yield) credits and EMD.
- Also, economic figures and company results were not as bad as markets feared.
- Although we escaped a depression, problems are not over; we are still in a severe recession, while consumers and banks lower their high debt levels.
- This process will impact negatively world economic growth and company earnings. Investment growth will be hampered by the big gap between industrial output and industrial capacity (5%).
- Thus, the global economy is not likely to grow fast enough in 2010 to create sufficient earnings upside for companies to justify strong equity gains from here on.

- Equities are not particularly cheap, nor are they expensive. In other words, valuation is not likely to give a strong buy or sell signal any time soon.
- We appear to be in a twilight zone now, in which it does not appear to be wise to position oneself clearly on one single scenario.
- In this period, equity markets are likely to trade in a wide range (between + and -20% from present levels). Investors still enjoy attractive dividend yields.



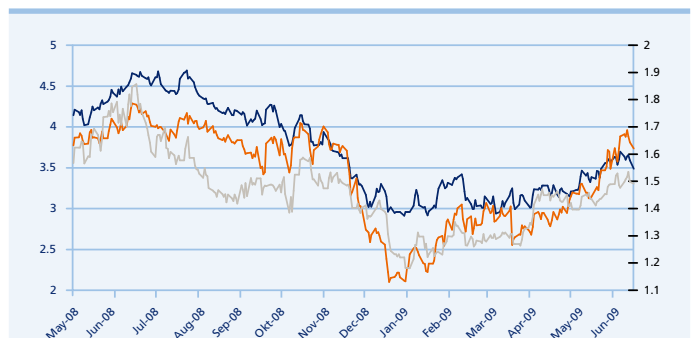
Source: Thomson Datastream

MSCI World in EUR

Asset Allocation

We maintained our underweight equities versus bonds, but reduced our risk budget recently

- After the rally, equities are not particularly cheap, nor are they expensive. Thus, for the time being valuation will not be a strong trigger for market movements.
- Furthermore, the global economy is not likely to grow fast enough in 2010 to create sufficient earnings upside for companies to justify strong equity gains from here on.
- Deleveraging and disinflationary forces will create an environment of sub par growth in coming years.
- In this period, equities are likely to trade in a wide range (between + and -20% from present levels).
- We maintain our constructive stance on (investment grade) credits. Policy actions have taken away the depression scenario and the systemic risks in the banking sector.



● Eurozone ● United States ● Japan (RHS) Source: Thomson Datastream

10-Year Bond Yields

Equities

Equities have become more vulnerable

- In this rally, the exodus from defensive equities to riskier equities was one of the most extreme sector preferences switches in post-war history, both in terms of speed and scale.
- Factors that contributed to the strong rally were the relatively large cash positions.
- Furthermore; although from very low expectations, economic figures and company earnings surprised on the upside. The Chinese economy is one of the most distinct examples of the improvement.
- In our opinion the bottom of this cycle is behind us; for the world economy as well for the markets.
- On current levels, equities have become more vulnerable. On the one hand markets have quit their depression scenario. On the other hand the economy is still in a severe recession. Consumers have to reduce debt which will impact negatively this earnings recovery.
- All in all, equities are likely to trade in a wide range (between + and -20% from present levels).

Regional equities: we favour emerging markets

- Overweight emerging markets. Global leading indicators are bottoming, benefits from rising commodity prices and additional IMF funding. Preference for Asia.
- Neutral US. Defensive market given policy, economic and earnings momentum. Structural problems remain. Stabilization of global economy reduces the need for (the US as) a safe haven.
- Underweight Japan. Macro and earnings data are bottoming. No quick fix given export dependence. Cyclical market.
- Underweight Europe. Weak economic and earnings momentum. Less flexible than US. Valuation becomes gradually more attractive versus US.

Size & Style

- Overweight Large Caps. Relative performance mainly driven by underlying sectors. Valuations are more attractive. Small caps are more volatile, more cyclical and have weaker balance sheets.
- Neutral Growth vs. Value. Dividends may get scarcity value and become more important in an otherwise sideways moving market.

Fixed Income

We maintain our constructive stance on credits, especially investment grade credits

- We have seen a sharp improvement in investor risk appetite that caused credit spreads to tighten across the board and helped to push down risk premiums in money markets.
- A number of factors have come together to generate this strong performance in 'risky' assets. The most important is probably that the tail risks to the economic outlook have disappeared.
- Policy action (liquidity provision, credit easing and bank recapitalisation) has significantly improved the core functioning

of the financial system.

- We think that not all of the gains with respect to market liquidity and reduced counter party risk will reverse once fundamentals start to weaken again (which we fear).
- We went overweight on Emerging Market Debt Local currency. Higher prices for raw materials and positive signals for worldwide trade contribute to the attractiveness of this segment.
- We are constructive on credits in general, especially on investment grade credits due to its still relatively attractive valuation.
- Government bond yields have risen, due to the improvement in risk appetite and the fact that the depression / deflation scenario has disappeared. On a 6 to 12 month basis, we expect lower yield because of lower inflation expectations.

Equities		
		change
Energy	+	
Materials	=	
Industrials	--	
Consumer discretionary durables	-	
Consumer discretionary services	-	
Consumer staples	=	
Health Care	+	▼
Financials	-	
Information Technology	+	
Media	=	
Telecom Services	+	
Utilities	+	▲

Fixed Income		
10-year Bond Yield (3 month forecast)		
US	3.9%	
Eurozone	3.7%	
Japan	1.6%	
Investment Grade Credits	+	
High Yield Credits	=	
Emerging Market Debt		
Hard Currency	+	
Local Currency	+	▲
Asset Backed Securities	+	

⊕ positive ⊖ neutral ⊖ negative

For further information please contact investment content management: ingim.investment.content.management@ingim.com

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