

ING Emerging Markets Debt

Motor des Globalen Wachstums?

Floris Kleemans
Sr. Product Specialist Emerging Markets

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www.ingim.com

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EMD: two main sub asset classes



- Credit risk dominant
- Benefit from carry
- Benefit from improving credit risk trends of both government and corporate issuers (decline in spreads)

HC

HC
Corporate



- FX and interest rate risk dominant
- Benefit from yield
- Benefit from appreciating currencies
- Benefit from declining local interest rates

LC Money
Market

LC Bonds

EMD Hard Currency

ING Emerging Markets Debt – 4 strategies

Emerging Markets Bond Index GD

EMBI GD

The EMBI Global tracks total returns for **USD denominated debt instruments by emerging market sovereign and quasi-sovereign entities**: Brady bonds, loans and Eurobonds.

The EMBI Global Diversified is a uniquely-weighted version of the EMBI Global. It limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible amounts of debt outstanding.

Corporate EM Bond Index

CEMBI

The CEMBI tracks total returns of **USD denominated debt instruments issued by corporate entities in emerging market countries**.

Emerging Local Markets Index +

ELMI+

The ELMI+ tracks total returns for **local currency denominated money market instruments** in 24 emerging markets.

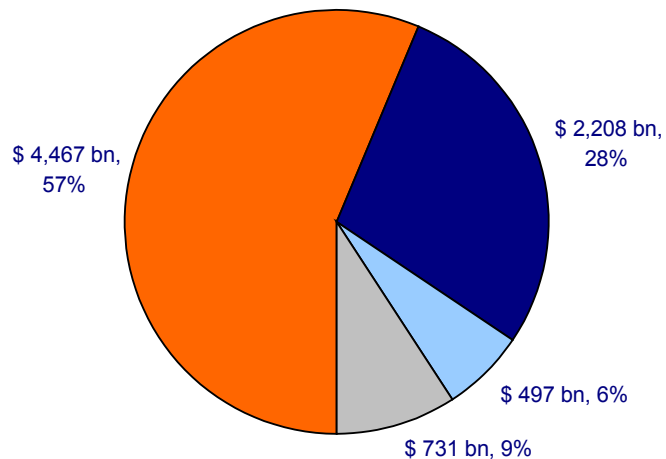
Government Bond Index EM GD.

GBI-EM GD

The GBI-EM is the first comprehensive, global local emerging markets index and consists of regularly traded, liquid **fixed-rate, domestic currency government bonds** to which international investors can gain exposure. Variations of the index are available to allow investors to select the most appropriate benchmark. The global diversified version provides global diversification benefits.

EMD Universe and Size

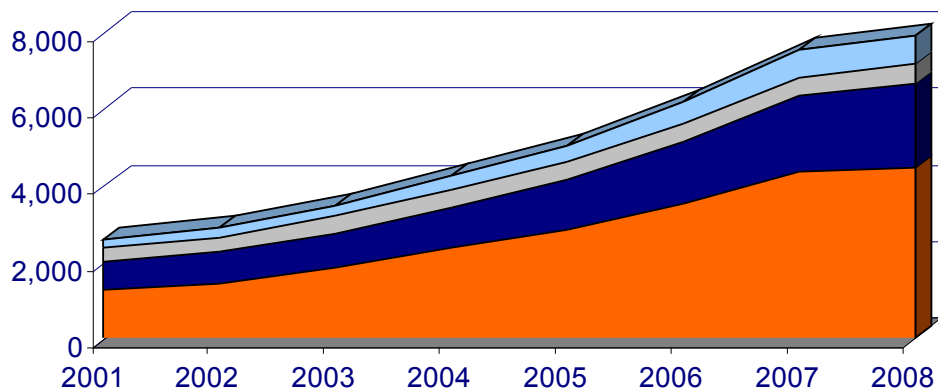
Domestic debt makes up 85% of total EMD



■ Sovereign LC
 ■ Corporates LC
 ■ Sovereign HC
 ■ Corporates HC

- Total EMD market over 7.6 trillion USD
- EMD LC lion share of market, growing corporate component in HC

Development of EMD asset classes (AuM in USD bn)



■ Sovereign LC
 ■ Corporates LC
 ■ Sovereign HC
 ■ Corporates HC

- Corporate names increasingly issue debt
- Growth potential in EMD LC

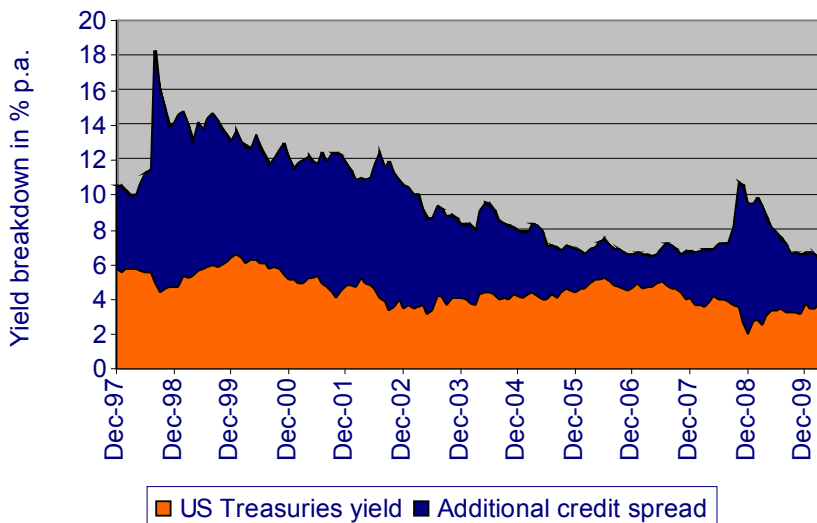
Sources: Merrill Lynch, BIS
End of 2008

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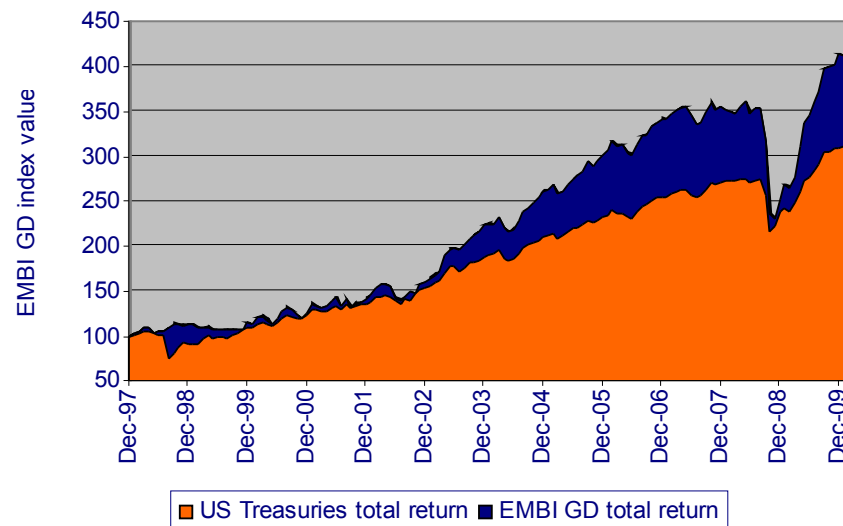
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Hard currency return drivers: yield and spreads

Yield breakdown JP Morgan EMBI GD (benchmark for EMD HC)



Cumulative total return breakdown EMBI Global Diversified



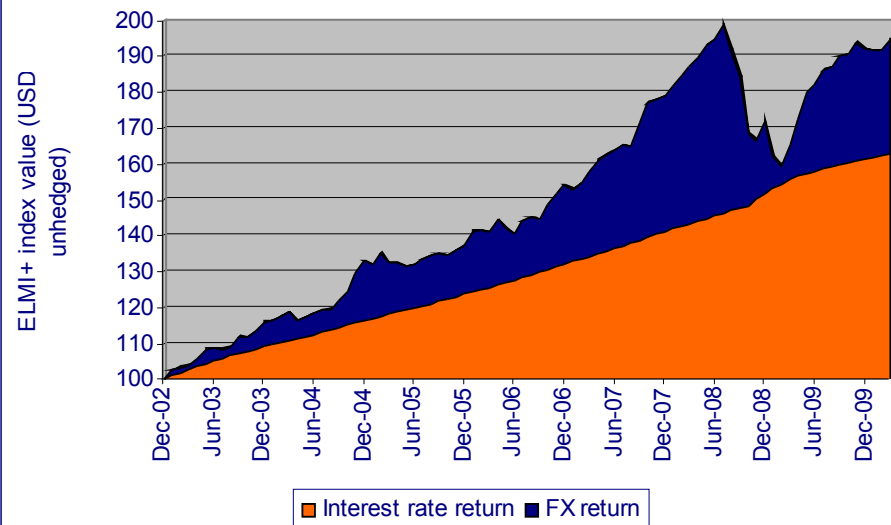
Source: Bloomberg

EMD HC provides **yield pick up** and **risk diversification** to US Treasuries

Local currency return drivers: local yields and FX

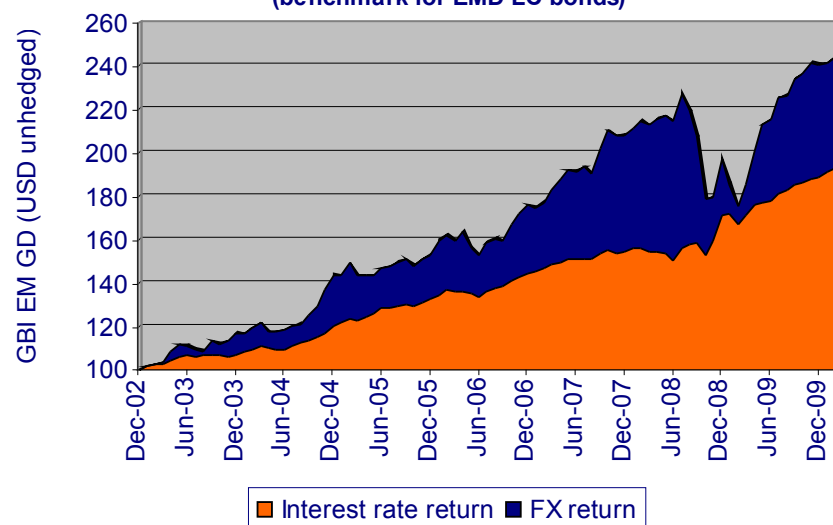
Local currency money markets

Cumulative total return breakdown ELMI+



Local currency bond markets

Cumulative total return breakdown JP Morgan GBI EM GD (benchmark for EMD LC bonds)



Source: Bloomberg

EMD LC provides local yields exposure and EM FX exposures

Returns, volatility and risks

	EMD-HC - Embi GD (\$)	EMD-LC Elmi+ (\$)	GBI-EM Global Div (\$)	Global Equities (\$)	Emerging Equities (\$)	CEMBI Div. (\$)	Barclays US Corporates (\$)
2003	22%	16%	17%	34%	56%	12%	9%
2004	12%	15%	23%	15%	26%	10%	6%
2005	10%	3%	6%	10%	35%	7%	2%
2006	10%	12%	15%	21%	33%	7%	4%
2007	6%	16%	18%	10%	40%	3%	5%
2008	-12%	-4%	-5%	-40%	-53%	-15%	-4%
2009	30%	12%	22%	31%	79%	39%	19%
2010 Q1	4%	1%	5%	3%	2%	5%	2%
Annualized return	11%	10%	14%	9%	22%	8%	6%
Rating	BB+/Ba1	na	BBB+	na	na	Baa1/BBB	A2/A3
Volatility	10%	7%	12%	16%	26%	12%	7%
Information Ratio	1.07	1.33	1.18	0.52	0.86	0.69	0.82
Sharpe ratio	0.80	0.95	0.94	0.35	0.75	0.46	0.41
Skewness	-3.18	-1.61	-1.27	-1.51	-1.39	-3.59	-0.89
Kurtosis	22.07	8.86	8.72	8.01	7.37	26.23	7.97
Maximum Drawdown	-21%	-19%	-22%	-43%	-48%	-27%	-14%
VaR (99%)	6%	4%	7%	10%	15%	7%	4%

Data: Datastream
 USD returns
 Jan 2002-March 2010
 Frequency: Monthly

Sharpe ratios compare favourably to Developed Markets

ING EMD Hard Currency

Why invest in EMD Hard Currency?

- Sovereign asset class with higher yielding characteristics. Diversification benefits away from G3 bond markets.
- Improving trend in credit fundamentals of the asset class (already >50% investment grade) allows for additional opportunities in emerging markets.
- High demand and low supply: creating positive market technicals

Key benefits ING EMD Hard Currency

- Multi-site team: local experts, local roots and backgrounds. The team is truly global, trading around the clock
- ING IM has a Hard Currency Debt track record since 1993 with a high consistency in outperforming the benchmark. We typically rank in the first quartile of our peer group.
- Fundamental analysis combined with disciplined risk management & credit skills results in clear decisions and repeatable performance.

ING EMD Local Currency

Why invest in EMD Local Currency?

- Currency appreciation potential and an attractive yield that is typically higher than in G10 currencies.
- Diversification through investments across a number of countries; substantially lowering the overall volatility in individual local markets.
- Local Currency EMD is developing as a separate asset class with more dedicated investors.

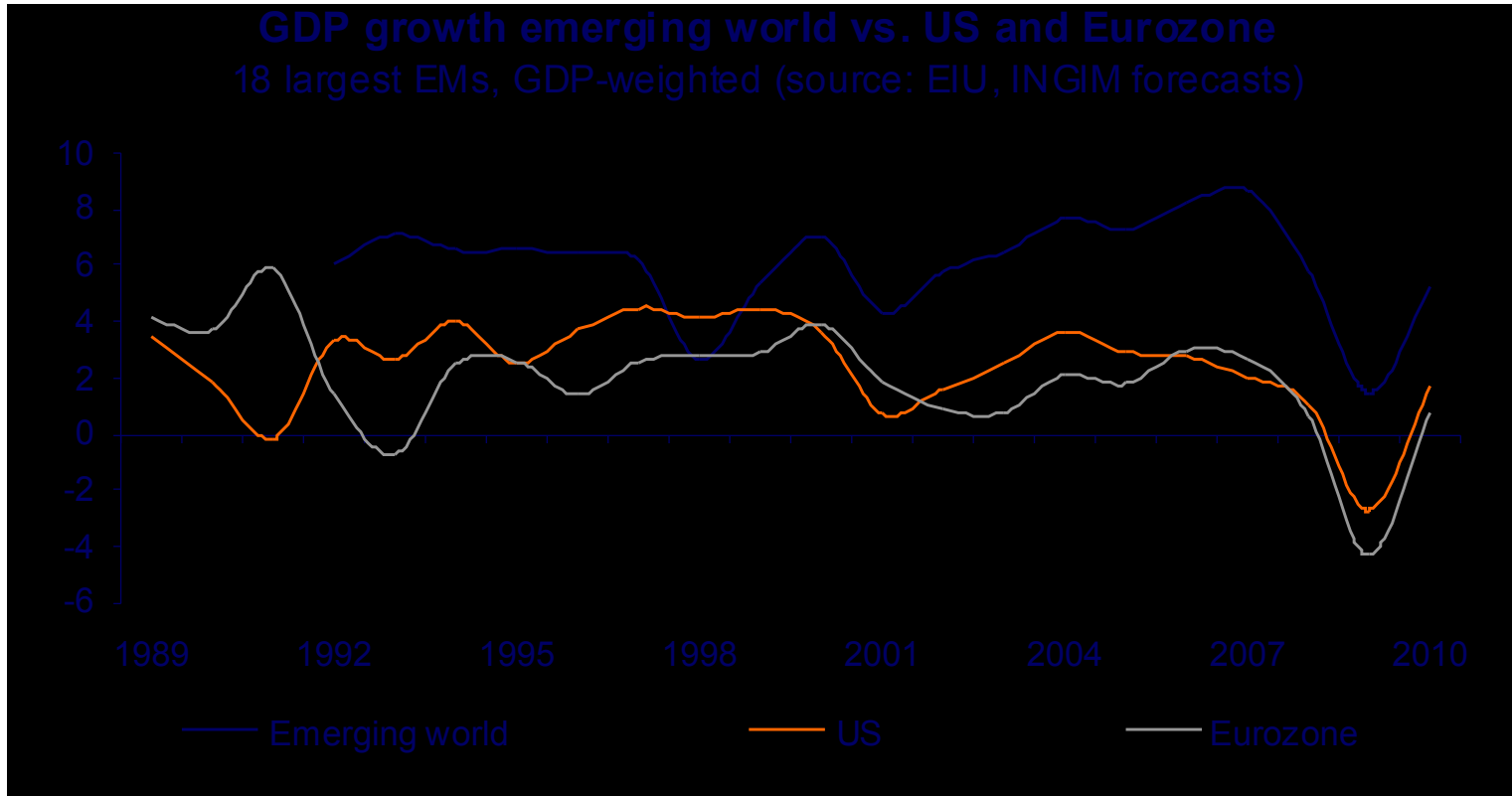
Key benefits ING EMD Local Currency

- Multi-site team: local experts, local roots and backgrounds. The team is truly global, trading around the clock
- ING IM has a Local Currency Debt track record since 1998 with a high consistency in outperforming the benchmark. We typically rank in the first quartile of our peer group.
- Proprietary rating analysis and quantitative risk management tools are integral to our process.
- Clients benefit from ING's EMD Local currency expertise combined with EM local duration exposure in ING's EMD Local Bond strategy

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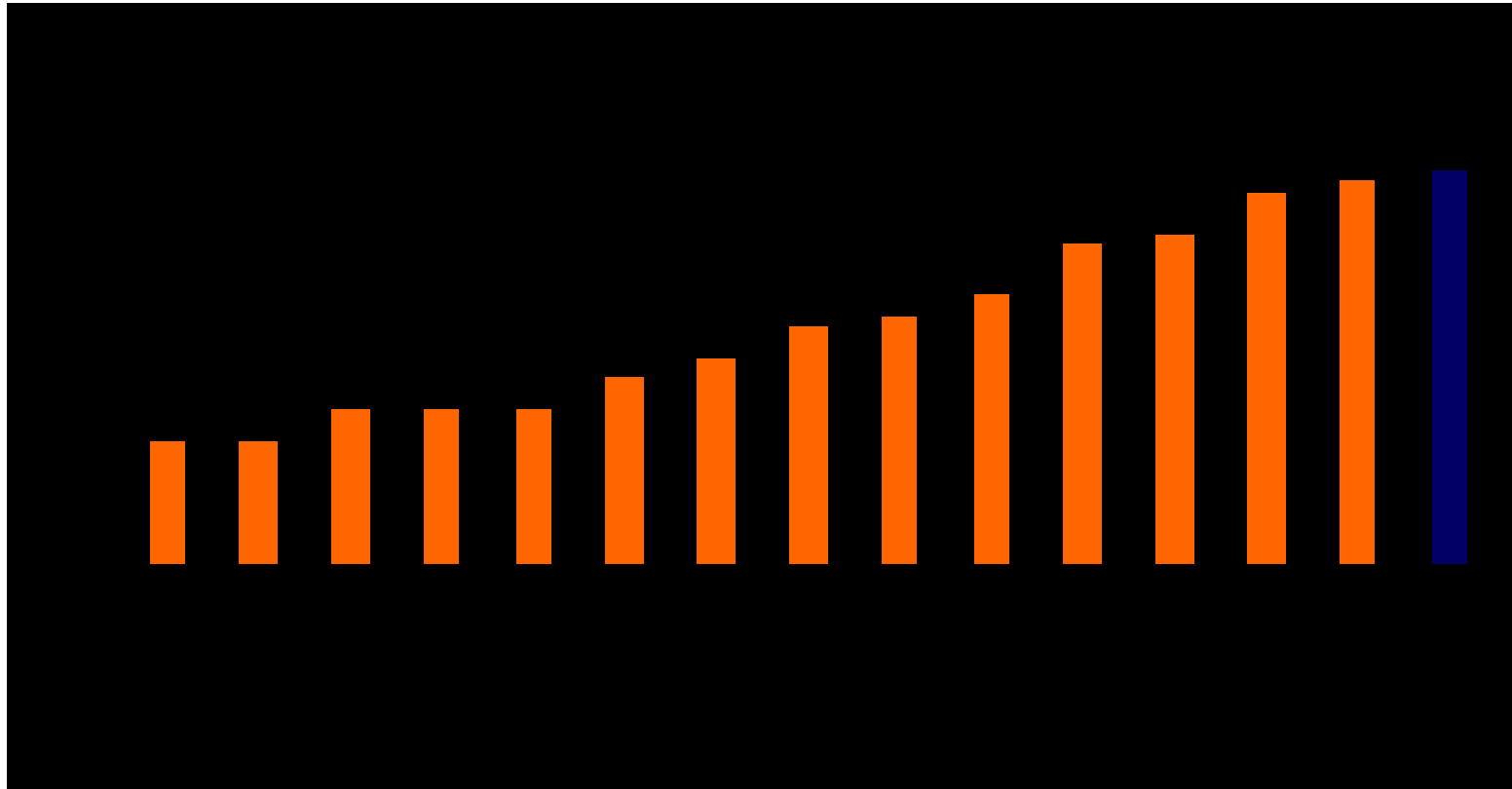
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Superior EM growth

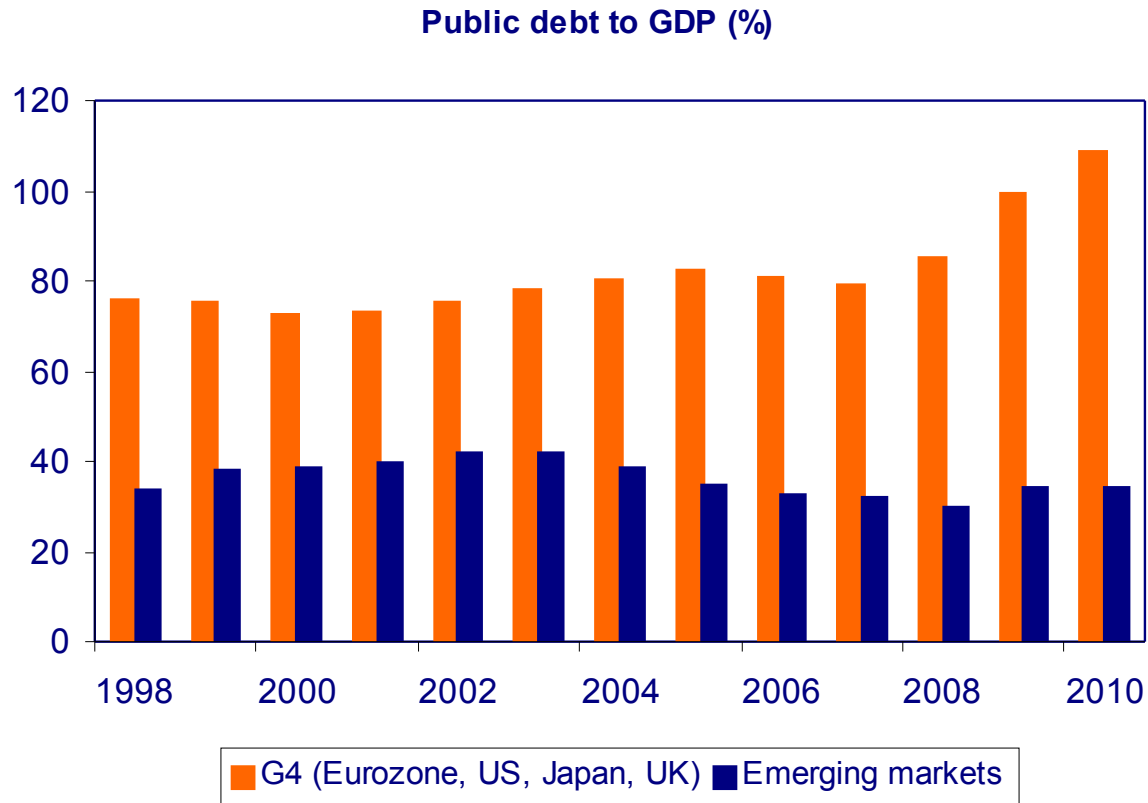


- Growth differential EMs vs Industrialized to remain 4-5% per year
- Domestic demand has become relatively more important than traditional export growth drivers

Improving risk profile EM vs. DM



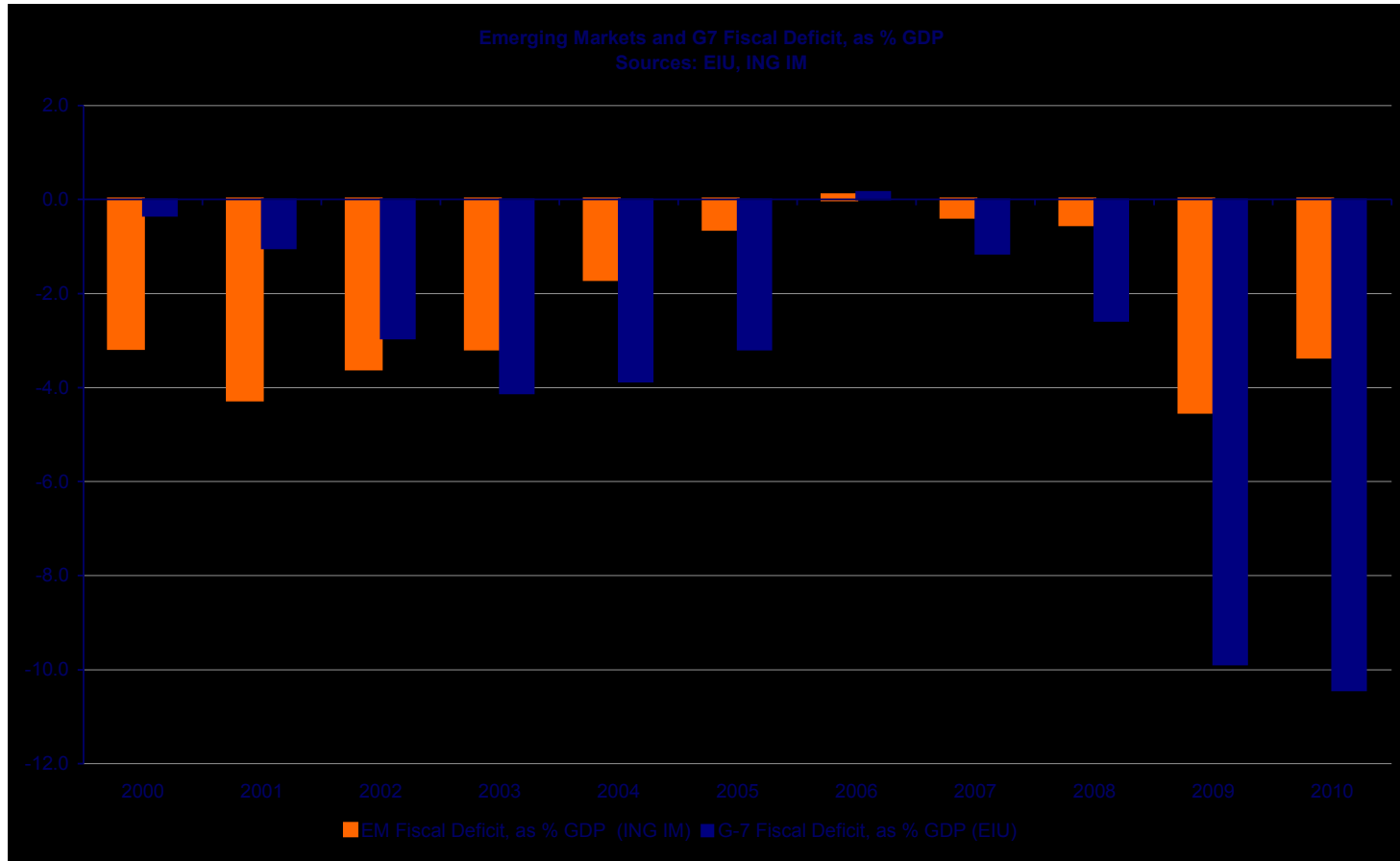
Debt dynamics: Emerging countries stand out



Source: OECD, JP Morgan and ING IM, indicated ratios are gross debt based

Debt burden substantially higher in G4 (US, Euro, Japan, UK) than in EMs

Fiscal dynamics Emerging Markets vs G7

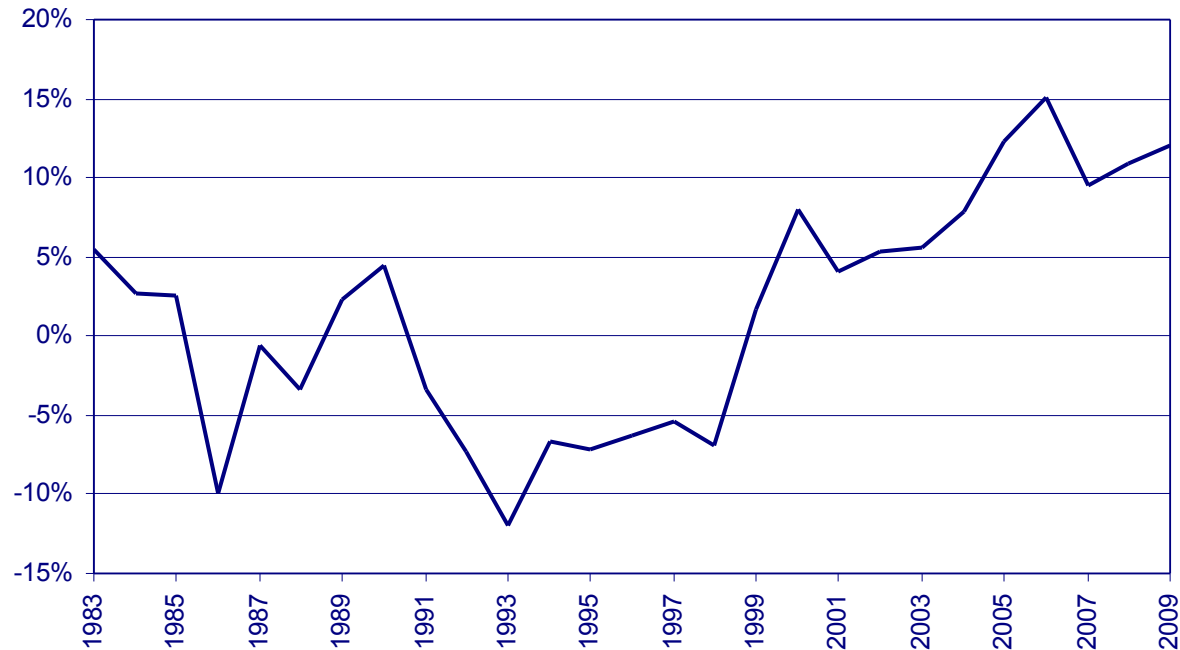


Source: EIU and ING IM

Fiscal deficit substantially higher in G7 than in EMs

External trade surplus

Emerging Markets cumulative trade surplus as % of exports



- EM FX tends to appreciate on external surpluses and stronger economic growth
- Strong diversification benefits with low correlation between local market dynamics

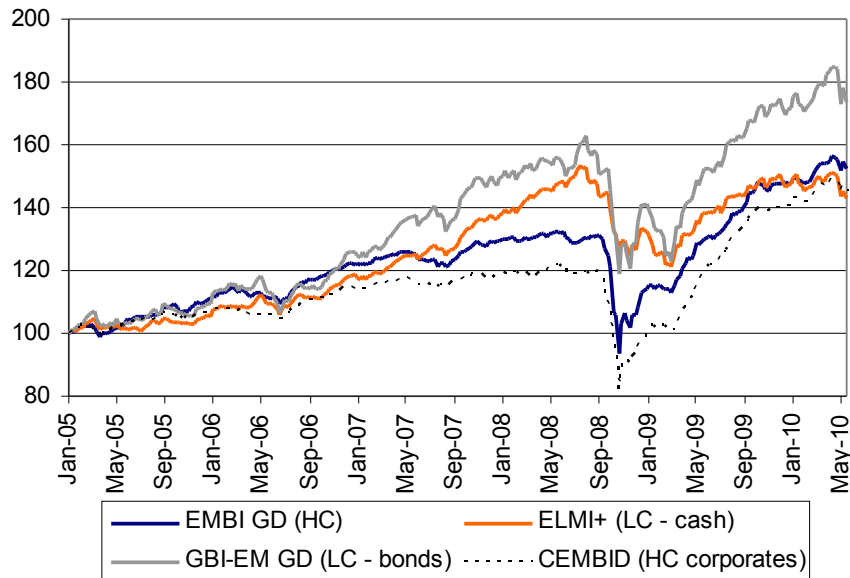
Sources: ING IM, IMF, Datastream



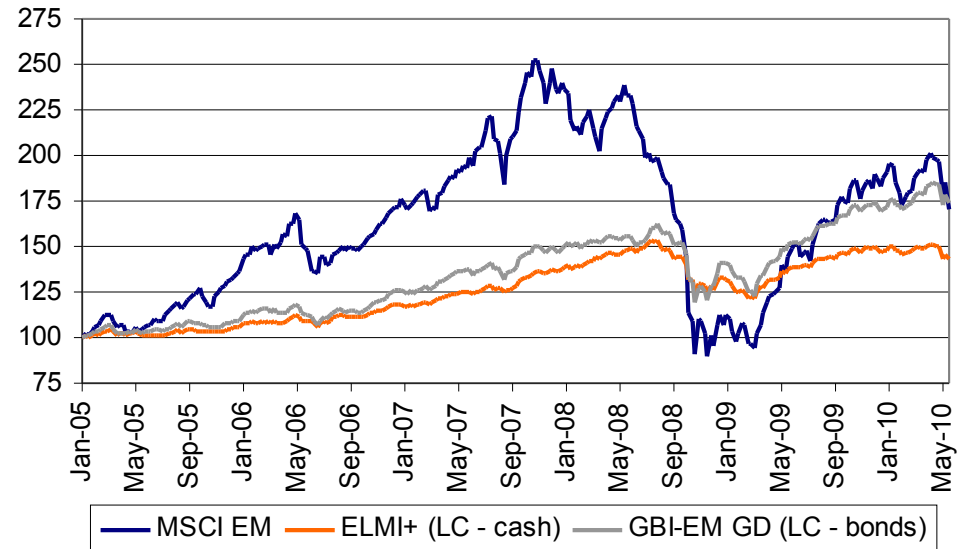
Market review

Continued strong EMD & EME performance

EMD Benchmarks



Emerging markets benchmarks

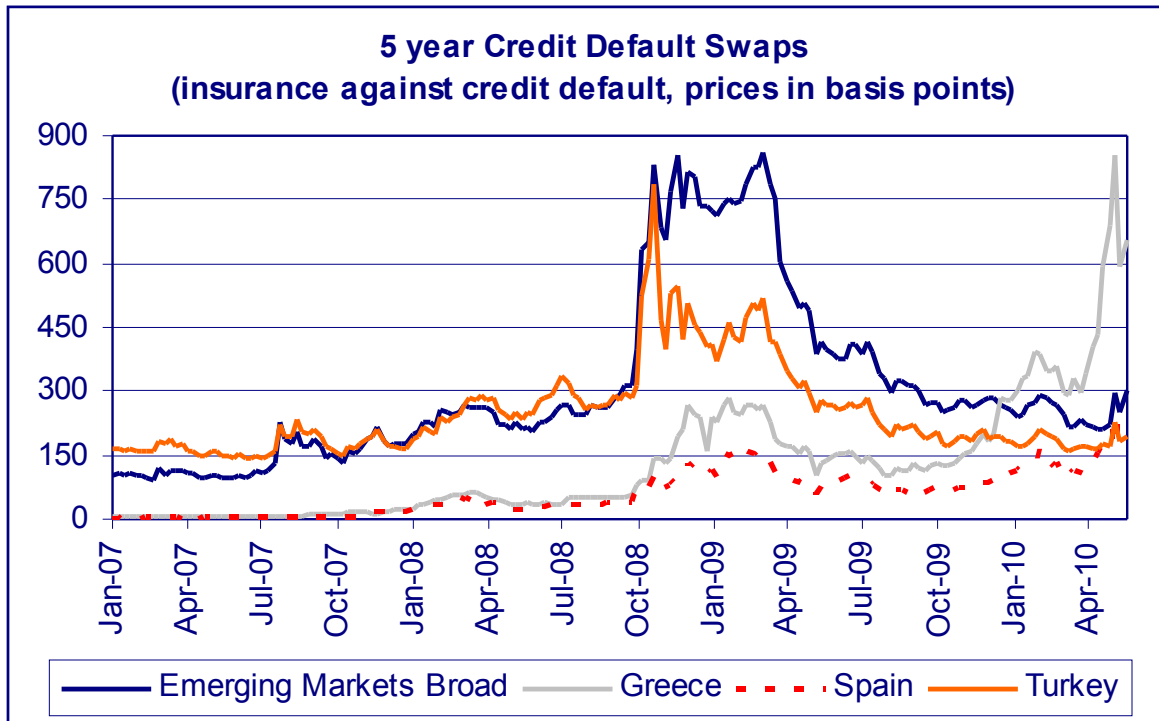


Source: Bloomberg

Bond markets (both HC and LC) are back on track after the crisis.
Equity market and LC money markets still have some catch up to do.

Emerging sovereigns compare well on fundamentals, but...

When sentiment more seriously affects liquidity, the asset class suffers

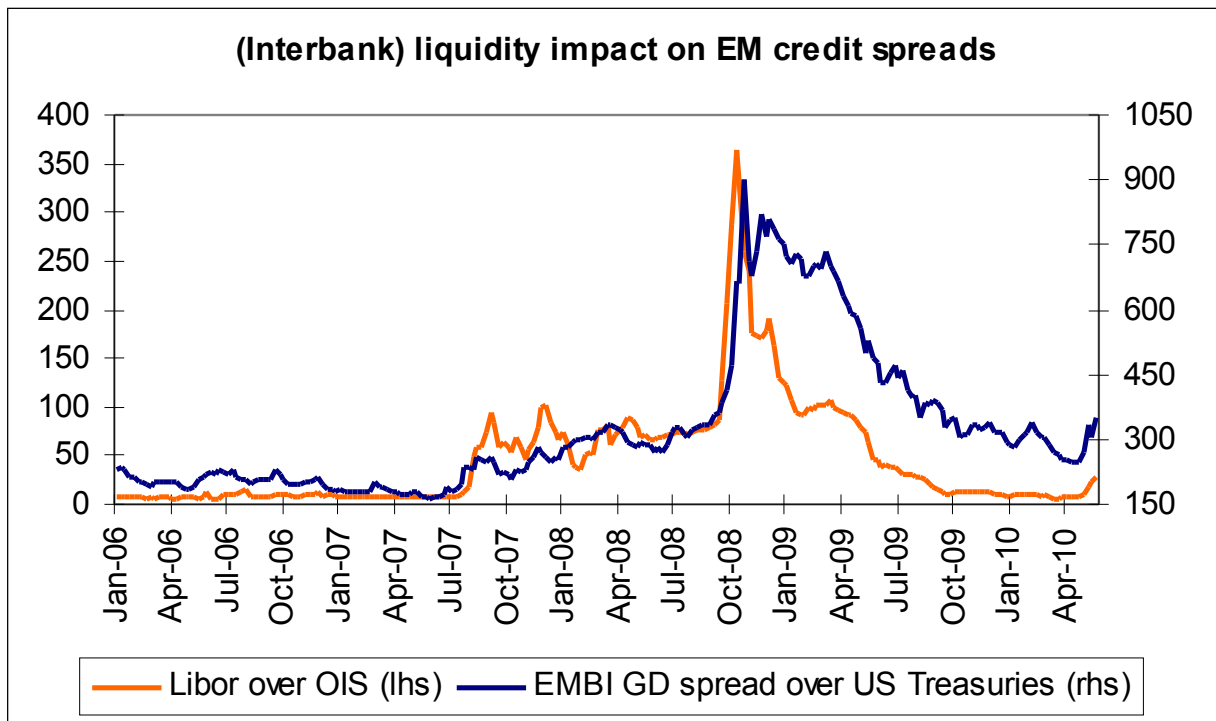


Source: Bloomberg

- In the end credit fundamentals like indebtedness and fiscal budgets determine a sovereigns ability to pay.
- Still, (interbank) liquidity can really distort (interim) valuations.

... liquidity and sentiment remain important drivers

Monitoring (interbank) liquidity and instrument liquidity more closely



Source: Bloomberg

- Comparisons with 2008 are unjust, nonetheless, sentiment and the situation in Europe can affect liquidity.
- There is a strong relationship between liquidity and emerging market assets.

Country positioning EMD hard-currency

Overweights:

Argentina, Brazil

Russia, Kazakhstan

Ukraine

Qatar, Abu Dhabi

Indonesia, Malaysia, Philippines

Underweights:

Mexico, Panama

Colombia, Venezuela

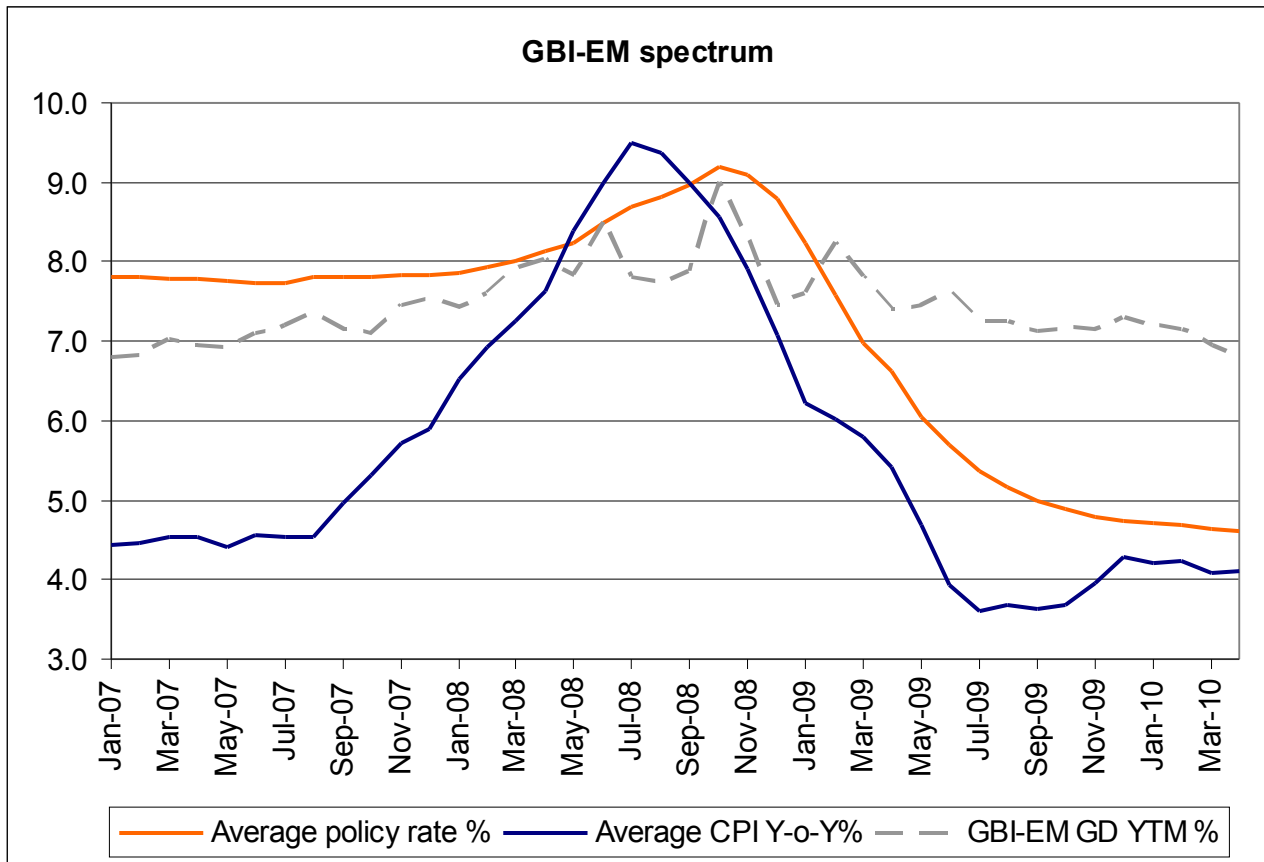
Turkey

China

Poland, Lithuania (EU area)

1. Increasing weight in Philippines after underperformance
2. Increasing exposure to Ukraine in February (reduction in political noise, re-engagement with policy), taking profit in April
3. Cut overall risk exposure by reducing emphasis on higher beta sovereigns
4. Reduced Venezuela on deteriorating macro concerns

Yield difference between policy rates and bond markets

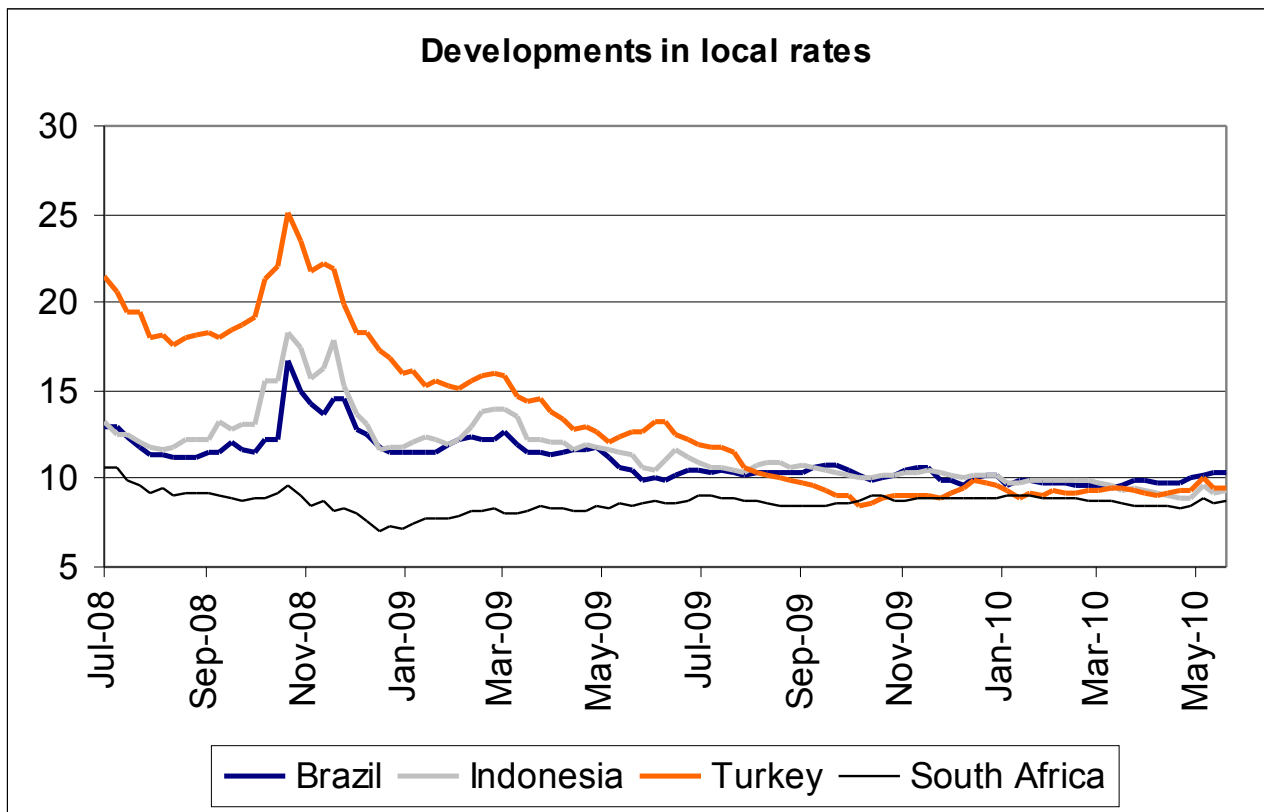


Source: Bloomberg

Difference is at historical highs. Despite rising inflation, we expect that bond yields will remain relatively steady overall

Higher yielders - LC

Declining yields in high yielding local markets

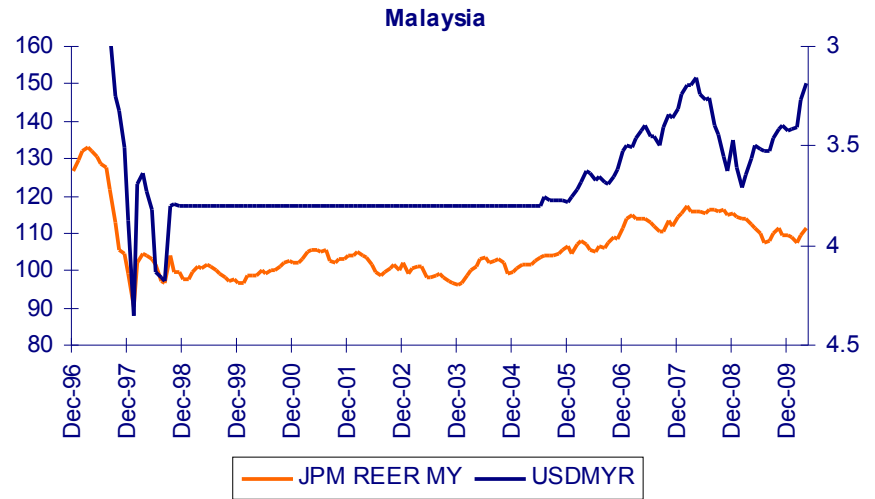
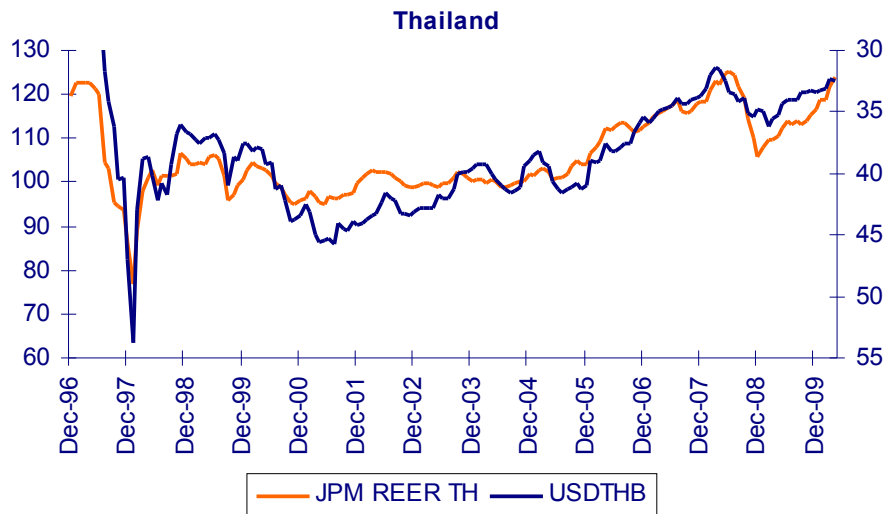
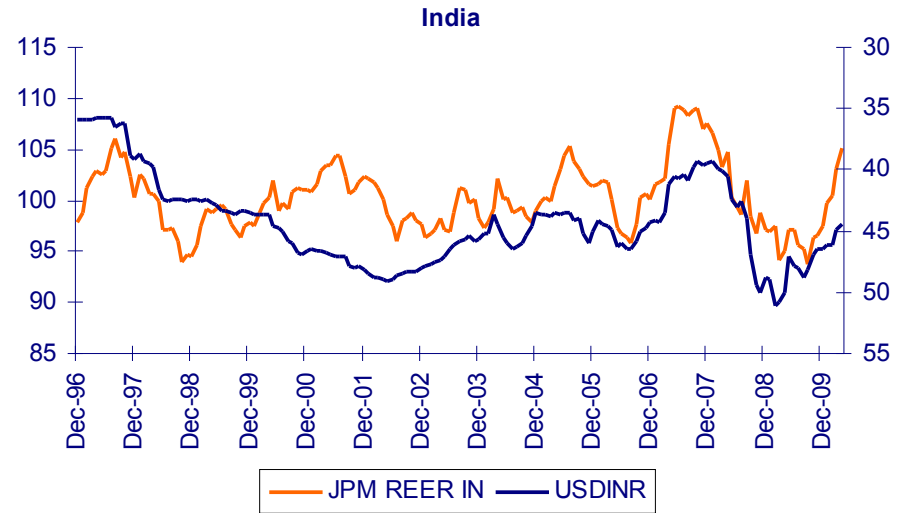
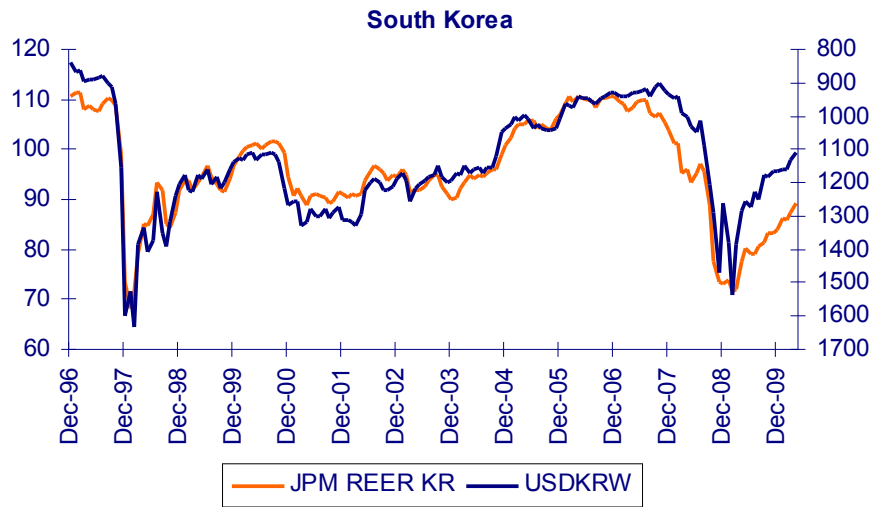


Source: Bloomberg

Coming down on lower inflation expectations and long term growth outlooks without capacity constraints.

Upside for duration positions to the higher yielders has reduced, but nominal and real yield differential still attractive.

Overweight Asia currencies: attractively valued

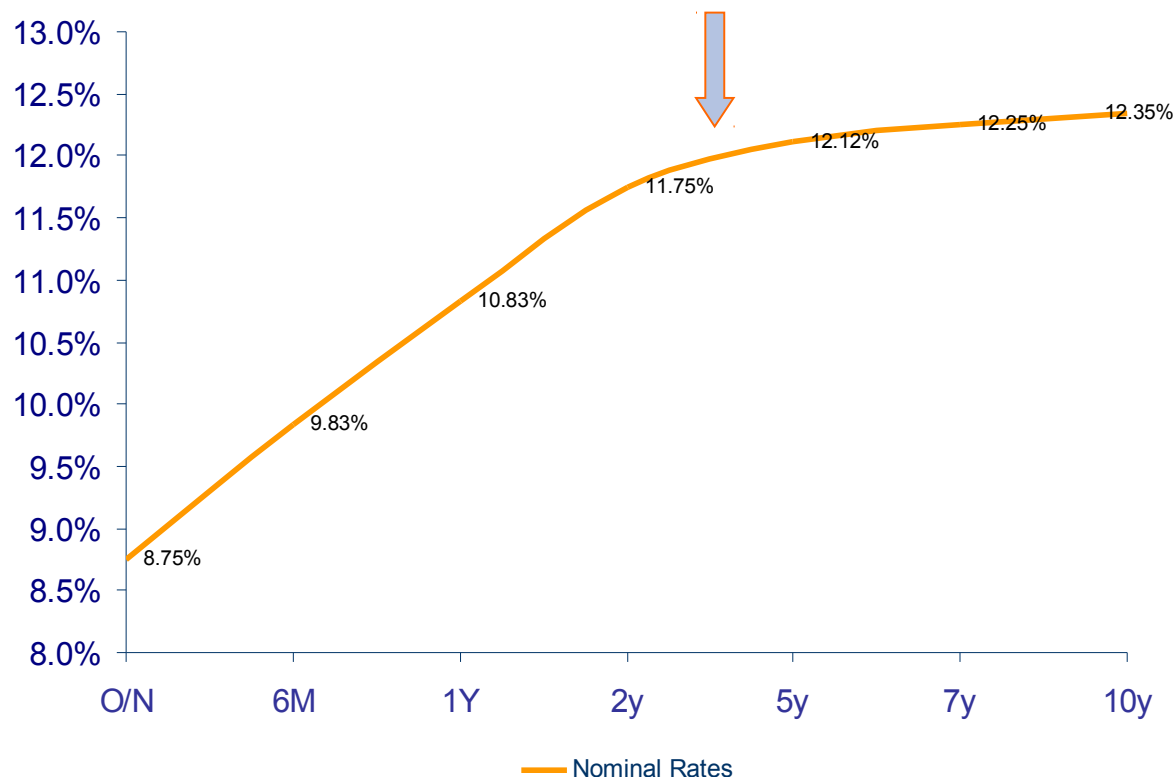


Source: JPMorgan, Bloomberg. As of May 21, 2010



Brazil: belly end of the curve also very attractive - LC

Brazilian local yield curve



Yield curve very steep in the 3-year sector

Excellent opportunity to play carry and roll down strategies

However, recent fiscal deterioration, forthcoming changes in the composition of the Monetary Policy Committee, and presidential elections in 2010 are all sources of concerns going forward

Source: Bloomberg data as of 31 March 2010

Country positioning EMD local-currency

1. Long Chinese renminbi and east-Asian currencies (MYR, IDR, PHP) in anticipation of the appreciation of the Chinese currency
2. Long Indian rupee (strong productivity growth and anticipating higher interest rates)
3. Short HK and Taiwan dollar (low-yielding currencies)
4. Long Chilean and Mexican peso
5. Long Polish zloty (undervalued relative to its peers)
6. Long Turkey (fundamental growth, lagged some of its peers)
7. Long Israeli shekel (central bank has started hiking interest rates)

Duration:

- a. o/w Brazil, Hungary, Poland, South Africa, Indonesia, South Korea
- b. u/w Colombia, Mexico, Peru, Thailand, Turkey

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Performance and risk

ING (L) Renta Fund Emerging Market Debt Hard Currency (EUR)

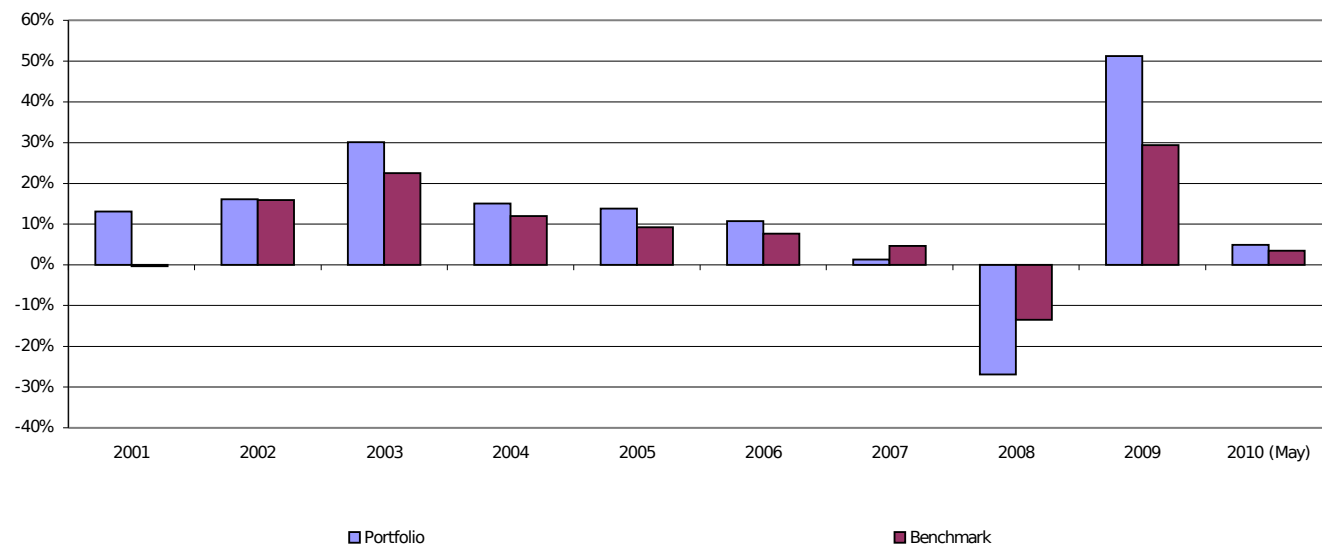
Annual Portfolio Returns vs. Benchmark

Portfolio: ING (L) Renta Fund Emerging Market Debt (Hard Currency) CAP

Benchmark: JPM EMBI Global Diversified Hedged to Euro (EMBI Plus Hedged to Euro until Jan. 1, 2003) (28-Feb-1993)

Base Currency: Euro (formerly Deutschmark)

Gross Returns as of: 31-May-2010



- Strong track record
- Well diversified with tracking error of 5.21
- Information ratio of 0.59
- Sharpe ratio of 0.71

* All statistics and data for 10 year period

Long term cumulative outperformance with strong risk-adjusted returns

Based on ING (L) Renta Fund Emerging Market Debt Hard Currency (EUR), gross performances end of May 2010

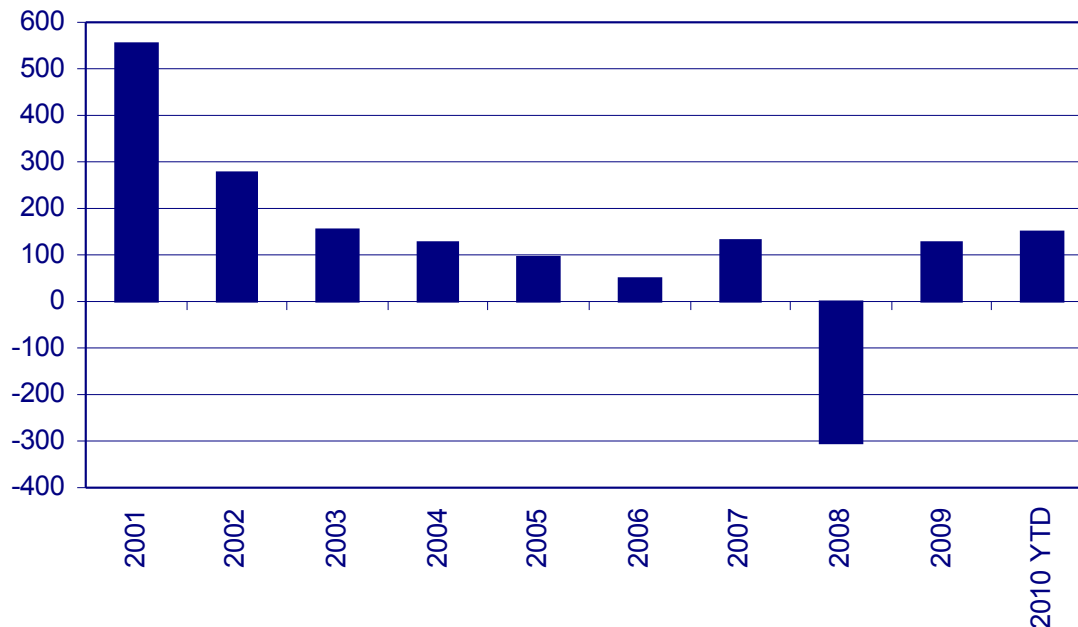
Sources: ING IM; JPM EMBI Global Diversified

* Rolling & Annualized



Alpha source local currency 1: FX Attribution

Currency selection contribution to relative performance in bps.

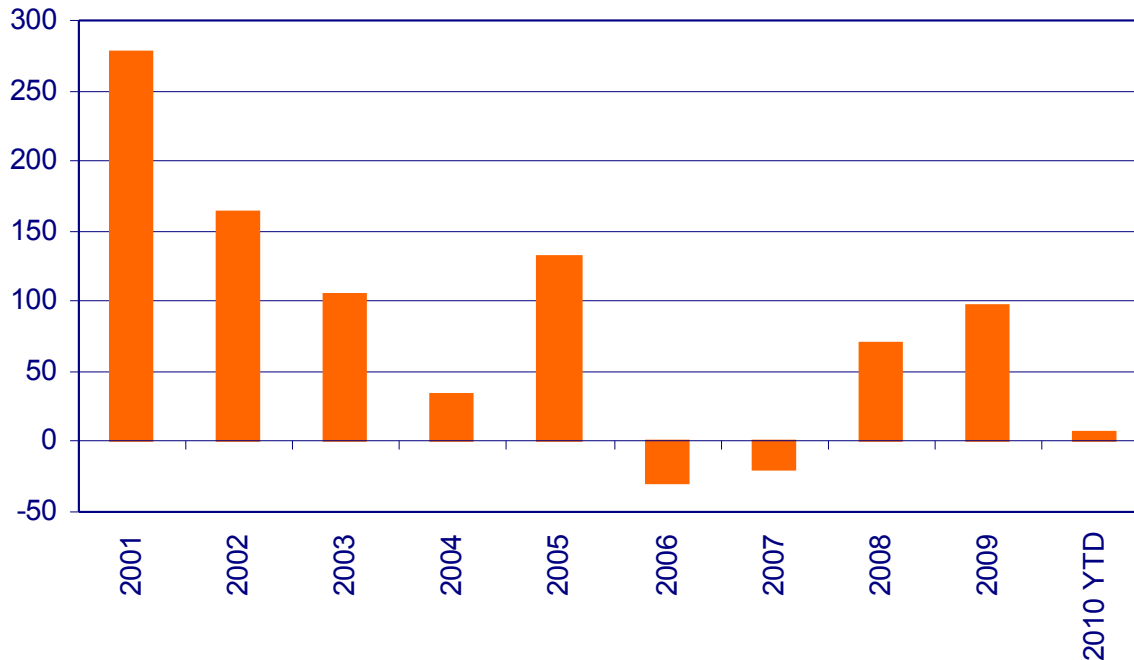


- Strong track record with outperformance in 9 out of 10 years
- Negative attribution in (less liquid) 2008 was partly caused by the fact that we cannot replicate the synthetic benchmark. All investors faced this constraint.

Source: INGIM. Attribution shown is that of the ING (L) Renta Fund Emerging Markets Local Currency at April 30th, 2010. This attribution analysis is indicative only and the actual currency attribution, of the ING (L) Renta Fund Emerging Markets Local Bond Fund, while based on the same investment process and analyses, may be different, partly due to different currency benchmark weights.

Alpha source local currency 2: Duration Attribution

Duration / instrument contribution to relative performance in bps.



- 8 out of 10 years outperformance in duration and instrument selection.
- Bond / instrument selection restricted as benchmark (till 2008) had no duration. Difficult to go underweight in years with rising yields (2006 and 2007)

Source: INGIM. The shown attribution is derived from the ING (L) Renta Fund Emerging Markets Local Currency fund and its ELMI+ off benchmark duration bets up to 31/12/2007. During 2007 we set up a Local Currency Bond portfolio for a segregated account. From 01/01/2008 till 28/02/2010 we use the track record of this GBI-EM Global Diversified benchmarked portfolio. During February 2010, we launched the ING (L) Renta Fund Local Bond Fund. The above duration / instrument attribution track record uses duration / instrument attribution from this fund for the period from 01/03/2010 till 31/05/2010. The duration / instrument attribution for the segregated account and our recently launched Local Bond fund is done on the basis of model portfolios. Overall, we believe that the model portfolio attribution is representative for the overall contribution of our duration and instrument selection processes. This attribution analysis is indicative only and the presented duration / instrument attribution, that relates to the ING (L) Renta Fund Emerging Markets Local Currency Fund, while based on the same investment process and analyses, may be different, partly due to different country benchmark weights.

Performance and risk

ING (L) Renta Fund EMD Local Currency (USD)

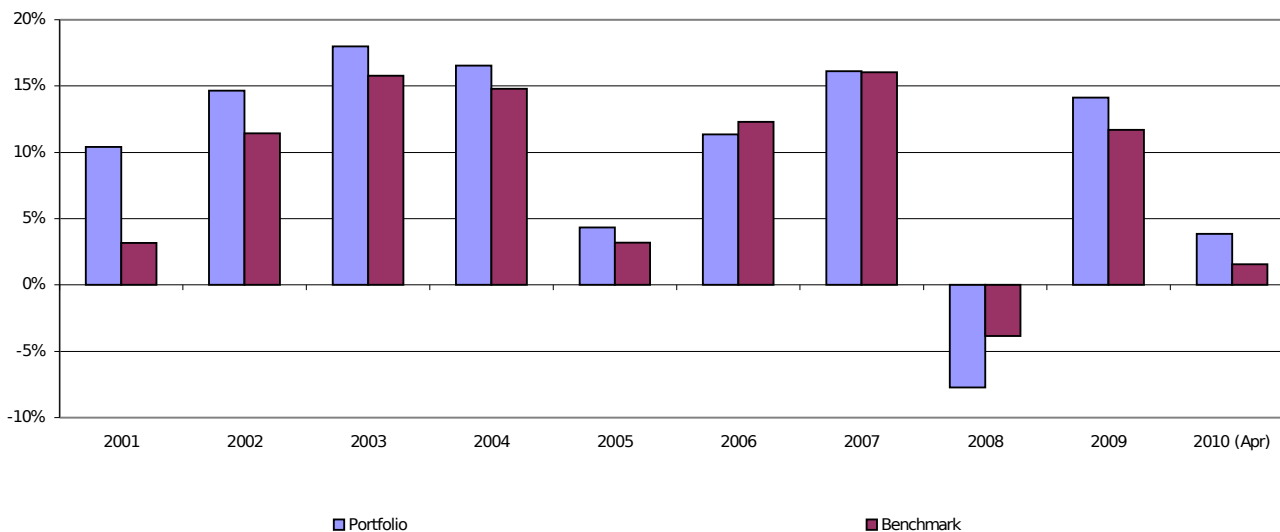
Annual Portfolio Returns vs. Benchmark

Portfolio: ING (L) Renta Fund Emerging Markets Debt Local Currency CAP

Benchmark: JPM ELMI PLUS (TR)

Base Currency: US Dollar

Gross Returns as of: 30-Apr-2010



Long term cumulative outperformance

- Strong track record
- Well diversified with tracking error of 3.29
- Information ratio of 0.46
- Sharpe ratio of 0.96

* All statistics and data for entire period

Based on ING (L) Renta Fund EMD Local Currency CAP, gross performances end of May 2010

Sources: ING IM; JPM ELMI Plus

* Rolling & Annualized



ING (L) Renta Fund EMD LB (USD): Performance vs peers

Total return peer comparison for EMD LB (GBI-EM Global Div.)			3 months	
#	Core tier	Last close	Total return	5
1	ING L RENTA EMK DBT LOC-ICAP	01/06/2010	1.5	
2	STONE HARBOR-EM MK LC DB-ISA	01/06/2010	1.4	
3	BLUEBAY-EMER MK LO CU BD USD	01/06/2010	0.4	
4	BNY MELLON GL-EM DBT LC-XSA	02/06/2010	0.2	
5	FORTIS L-BND WRLD EM LCL-CAP	01/06/2010	0.1	
6	PICTET-EMERG LOCAL CCY-P\$	01/06/2010	0.1	
7	PIMCO-EMRG LOCAL BD-\$INS-ACC	02/06/2010	0.0	
8	HSBC GIF-GLB EMMK LCL DB-Z\$	02/06/2010	-0.3	
9	PBI EMG MKT LOCAL CRNY BD-Y	02/06/2010	-0.3	
10	GOLDMAN SACHS EM M DE LO-A\$A	02/06/2010	-0.6	
11	INVESCO-EM LO CURR DT-A ACC	02/06/2010	-0.6	
12	INVESTEC EM MARKETS DEBT-AAG	02/06/2010	-0.9	
13	JB LOCAL EMERGING BOND FND-C	01/06/2010	-1.3	
14	ASHMORE SICAV-EMK LOC CU BND	01/06/2010	-1.3	
15	JPMORGAN F-EM MAR LO C D-B\$A	02/06/2010	-1.8	
16	LGT BOND FD EMMA LOC CUR \$-B	01/06/2010	-2.2	

Source: Bloomberg

- Combined top quartile over the last three months (launch in February 2010).
- Costs for the building of the portfolio have been recouped.
- Reduced our beta overweight before markets became more volatile on Greece.

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Strategy characteristics – EMD HC

Objectives		
Investment objective	:	The targeted information ratio is 0.50. T.E. target 2-6%
Benchmark	:	JP Morgan Emerging Markets Bond Index Global Diversified
Other characteristics		
Investment universe	:	Debt instruments denominated in OECD currencies, issued by issuers from low and middle income developing countries
Base currency	:	Euro and/or USD
Diversification	:	Portfolio diversification is provided at regional and individual security level
Derivatives	:	Strict guidelines and comprehensive risk management procedures govern the usage of derivatives
Country exposure	:	Maximum country weight 20%
Single holding exposure	:	Maximum single holding 10%
Assets under Management	:	€5.6bn as per March 2010

Strategy characteristics – EMD LC + Local Bonds

Objectives		
Investment objective	:	The targeted information ratio is 0.50. T.E. target 2-5%
Benchmark	:	<ul style="list-style-type: none"> • Local Currency: JP Morgan ELMI Plus Index • Local Bond: JP Morgan GBI-EM GD Index
Other characteristics		
Investment universe	:	Debt instruments denominated in local currencies, issued by issuers from low and middle income developing countries
Base currency	:	US Dollar
Diversification	:	Portfolio diversification is provided at regional and individual security level
Derivatives	:	Strict guidelines and comprehensive risk management procedures govern the usage of derivatives
Assets under Management Local Currency & Local Bond	:	€2.7bn as per March 2010

EMD Team Overview

Name	Responsibility	Experience	Education and Qualifications
Rob Drijkoningen	Co-Head of Emerging Markets Debt Global	19	Erasmus University of Rotterdam, Masters in Economics Simultaneous Head of Emerging Markets Group. DSI qualified.
Gorky Urquieta	Co-Head of Emerging Markets Debt Global	15	University of Wisconsin, Masters in Finance, formerly at Dart Corp, ING Furman Selz
Raoul Luttk	Sr. Portfolio Manager European time zone focus	13	University Economics Degree (drs), formerly at DETAM pensions on European Fixed Income; VBA, DSI
Bart van der Made	Sr. Portfolio Manager European time zone focus	11	University Econometrics Degree (drs), formerly at ING on country risk modelling, CFA
Joel Kim	Head of Asian Debt Asia focus	12	University Economics Degree (drs), formerly at ING Bank in Euro Coordination Group, CFA
Leo Hu	Jr. Portfolio Manager	2	BA Economics, MBA, Master in Finance
Diliana Deltcheva	Sr. Strategist European time zone focus	6	BA Political Science and Bus Admin, MSc International Finance, prior quant fixed income research experience, CFA
Manuel Cañas	Portfolio Manager Local Currency focus CEEMEA	8	Formerly at Central Bank of Argentina Universidad de San Andres, Economics, CFA
Ken Hessel	Portfolio Manager Corporate Credits	8	Formerly Wachovia and VP Trusco Capital Management Atlanta B.B.A in Finance, MBA and CFA
Marcelo Assalin	Portfolio Manager Local Currency focus Latam	15	Formerly CIO Sul America Investimentos Bachelor Business Administration, University of Sao Paulo, CFA
Prashant Singh	Portfolio Manager	5	M.B.A. Indian Institute of Management (specialization Finance) BSc. Mathematics, St. Stephen's college, University of Delhi
Naveen Kunam	Sr Portfolio Manager Local Currency focus Asia	6	Formerly at Santander, NY; Oppenheimer Funds; Freddie Mac MS computational finance Oregon GIST; B.Tech Comp Sc, India
Victor Rodriguez	Sr. Portfolio Manager Corporate Credits	20	A.B. from Cornell University M.B.A. from Emory University (Woodruff Scholar), CFA

Average Experience

11



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