ING Senior Loan Group – July 22, 2010

Flow Name Composite Average Bid Jumps to Two Month High

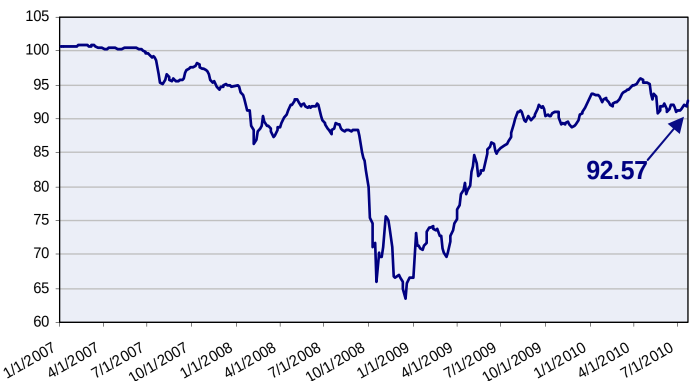
Q - How did the market do this week?

A – The loan market held up pretty well. The average bid for the S&P/LSTA Leveraged Loan Index Flow Name Composite, which tracks the 15 largest senior loans in the S&P/LSTA Leveraged Loan Index (the "Index"), moved up 48 bps, closing at 92.57%. The broad Index also saw nice gains, ending 38 bps higher at 90.08%.

Loan prices caught up with the improved qualitative tone of the market, pushing the Flow Name Composite to a two month high. The announcement of four new bond-for-loan take-outs also helped, as did the news that several widely-followed issuers have either filed (or are considering filing) for IPOs in order to repay debt. As often noted, prepayment activity has the dual positive impact of lifting credit-specific prices and creating the expectation of incremental near-term inflows. Importantly, loan prices fared reasonably well amid a stock market that was especially unpredictable. As expected, loans rallied with equities late in the week; however, more encouraging was the early week performance where, despite a big down day in stocks and some glum economic news/views, loans held up well.

The following two charts show the average bid price history for the Flow Name Composite and the entire Index, respectively, since the beginning of 2007.

Average Bid
S&P/LCD Flow Name Composite
January 1, 2007 to July 22, 2010



Average Bid
S&P/LSTA Leveraged Loan Index
January 1, 2007 to July 22, 2010

Q - What has been the effect on yields?

A – On a secondary spread to three year call basis, the yield on the Flow Name Composite decreased 19 bps to end the week at L+580. The chart below shows the secondary spread history for the Flow Name Composite since the beginning of 2007.

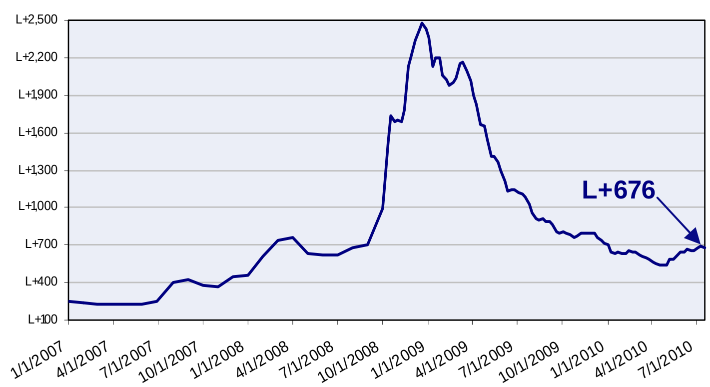
Average Three Year Call Secondary Spreads
S&P/LCD Flow Name Composite [1]
January 1, 2007 to July 22, 2010

For the week ended July 16, 2010, the yield on the overall Index decreased by 14 bps, ending the week at L+676.

The following chart shows the secondary spread history for the Index since the beginning of 2007.

[Please note that the Index yield data is only available on a one week lagging basis, thus the data demonstrated below is for the week ending July 16, 2010.]

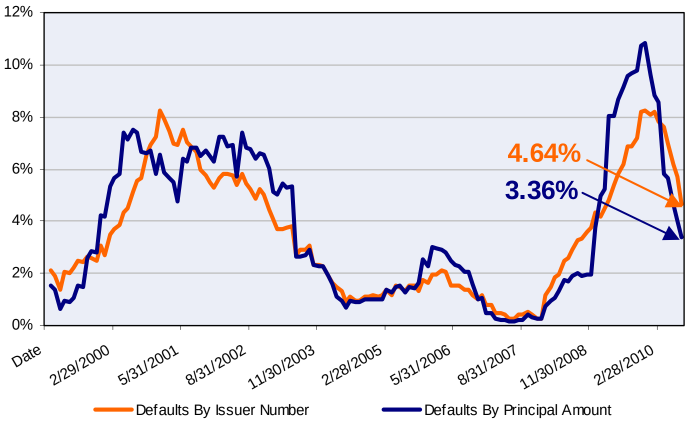
Average Three Year Call Secondary Spreads
S&P/LSTA Leveraged Loan Index[2]
January 1, 2007 to July 16, 2010



Q - Was there any default activity this week?

A – Once again, there were no defaults in the Index this week. The default rate by issuer number remains at 4.64%. The principal-weighted rate remains at 3.36%. The chart below shows the historical default rates for the Index by both issuer number and principal amount since December 31, 1998.

Lagging 12 Month Default Rate [3]
S&P/LSTA Leveraged Loan Index
December 31, 1998 to July 22, 2010



Q - Inflows have been sporadic. What have recent trends been and what are you expecting over the near-term?

A – It is true that new investments into loan funds have been transitioning since the first of the year. Early on, when global recovery (and a potential move in short rates) was the "theme," flows were quite strong, particularly into retail loan funds. Lately, effectively sparked by the slide in sovereign debt markets, investors have had to digest concerns over a potential reversal in global growth, weak domestic manufacturing and housing data, questions surrounding new financial regulation in the U.S., and now, the impending European banks' stress test results. The resultant uncertainty (including the task of assessing how recent events may have altered the U.S. Fed's view of the world) has, at times, dampened investor interest and action. That said, the actual effect on flows has been relatively mild. For all the noise out there, investors are indeed looking through to sustained economic growth as well as the associated shift in monetary policy and the impact it will have on their portfolios.

The reason we're confident in saying so lies in the numbers which, while off earlier year highs, have turned comfortably positive again. New flows this week were $117 million, bringing the trailing three week total to just under $200 million. Net cash flows coming into loan funds have now been recorded in 26 of 29 weeks this year.

Where flows go from here will likely depend on the usual factors: broad investor sentiment (*e.g.*, "is it safe enough to go in the water?"); major market direction; headline economic news; and corporate earnings. Each of these factors will work, individually and in concert, to tailor expectations for a change in the rate curve. Those expectations, in turn, will shape investors' short and longer-term views of the case for loans.

Unless otherwise noted, the source for all data in this report is Standard & Poor's/LCD. S&P/LCD does not make any representations or warranties as to the completeness, accuracy or sufficiency of the data in this report.

1 – Assumes 3 Year Maturity. Three year maturity assumption: (i) all loans pay off at par in 3 years, (ii) discount from par is amortized evenly over the 3 years as additional spread, and (iii) no other principal payments during the 3 years. Discounted spread is calculated based upon the current bid price, not on par.

2 – Excludes facilities that are currently in default.

3 – Comprises all loans, including those not tracked in the LSTA/LPC mark-to-market service. Vast majority are institutional tranches. Issuer default rate is calculated as the number of defaults over the last twelve months divided by the number of issuers in the Index at the beginning of the twelve-month period. Principal default rate is calculated as the amount defaulted over the last twelve months divided by the amount outstanding at the beginning of the twelve-month period.

General Risks for Floating Rate Senior Bank Loans: Floating rate senior bank loans involve certain risks. Below investment grade assets carry a higher than normal risk that borrowers may default in the timely payment of principal and interest on their loans, which would likely cause the value of the investment to decrease. Changes in short-term market interest rates will directly affect the yield on investments in floating rate senior bank loans. If such rates fall, the investment's yield will also fall. If interest rate spreads on loans decline in general, the yield on such loans will fall and the value of such loans may decrease. When short-term market interest rates rise, because of the lag between changes in such short term rates and the resetting of the floating rates on senior loans, the impact of rising rates will be delayed to the extent of such lag. Because of the limited secondary market for floating rate senior bank loans, the ability to sell these loans in a timely fashion and/or at a favorable price may be limited. An increase or decrease in the demand for loans may adversely affect the loans.

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The ING Senior Loan Group is a part of ING Investment Management, the world-wide investment arm of ING Group N.V., with over 700 investment professionals managing nearly $500 billion in assets globally. Our Group is headquartered in Scottsdale, Arizona U.S.A., with an additional office in London, England. We manage senior loans through two U.S. based mutual funds, a Luxembourg based SICAV, a collective trust for U.S. based pension plans, and several structured finance vehicles.

The ING Senior Loan Group is comprised of 28 investment professionals and 18 dedicated support staff. There are four portfolio management teams in Scottsdale, each of which is responsible for particular industries, and a European team that is responsible for European loan management. Our two Group Heads, the chief credit officer and a senior credit officer comprise the Investment Committee, which approves all investment decisions. Finally, the team is supported by a highly qualified trading, operations, analytics and legal team that is dedicated exclusively to this asset class.

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