

ING Asia Pacific High Dividend Equity Income

Closed-End Fund | Strategy Brief

June | 2012

NYSE Symbol: IAE
CUSIP #: 44983J107
NAV Symbol: XIAEX

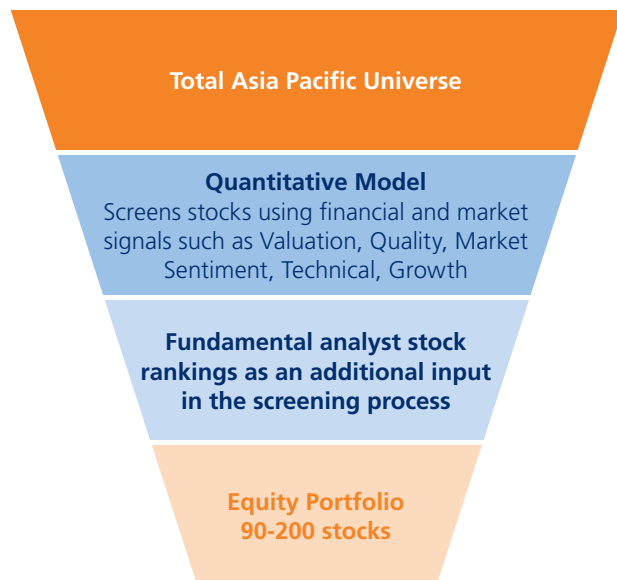
Inception Date: 3/27/07
Inception NAV: \$23.83
Inception Share Price: \$25.00

Fund Overview

Asia Pacific	Participate in the potential dynamic growth opportunities of Asia Pacific equities.
High Dividend	Distinctive investment approach focused on high dividend yielding equities.
Equity Income	Seek enhanced total return over a full market cycle through call writing on selected Asia Pacific indices ² and/or equity securities and/or exchange traded funds (ETFs).

Equity Investment Process

- The Fund uses a quantitative model to identify what it believes are the most attractive stocks.
- The universe is screened to select stocks using a variety of financial and market signals such as Valuation, Quality, Market Sentiment, Technical, Growth, etc. The Sub-Adviser may also use fundamental analyst stock rankings as an additional input in the screening process.
- The portfolio seeks to target a dividend yield higher than that of the MSCI Asia Pacific ex Japan Index. Stocks that do not pay dividends may also be selected for portfolio construction and risk control purposes.
- Under normal market conditions, the Fund invests in a diversified portfolio of 90-200 equity securities of Asia Pacific companies.



Investment Objective¹

- Seeks to provide total return through a combination of current income, capital gains and capital appreciation

Investment Objective¹

- The Fund seeks to achieve its investment objective by investing primarily in a portfolio of high dividend yielding equity securities of Asia Pacific Companies, which are selected according to a combination of quantitative and fundamental criteria. The Fund also seeks to enhance returns over a market cycle by selling call options on selected Asia Pacific Indices and/or equity securities of Asia Pacific companies and/or exchange traded funds (ETFs).

Call Writing Strategy

- The Fund employs a strategy of writing call options on selected Asia Pacific indices and/or equity securities of Asia Pacific companies and/or exchange traded funds (ETFs) with the underlying value of such calls representing 0% to 50% of the value of its holdings in equity securities.
- Typically the Fund writes at or near the money, over the counter call options expiring between 30-120 days.

¹ There can be no assurance that the Fund will achieve its investment objective.

² Asia Pacific Indices include Asia Pacific regional or country indices or futures such as the ASX 200 Index, the Hang Seng Index, the KOSPI 200 Index, the TAIEX Index, the Nifty Index, the H-Shares Index and the MSCI AC (All Countries) Asia Pacific ex Japan IndexSM and/or other combinations of regional indices.

Manager Commentary

Market Review

After a strong first quarter, sentiment in the equity markets cooled at the beginning of the second quarter. After several months of relative calm, partly because of the European Central Bank's (ECB's) two large injections of liquidity for the banks, there was a resurgence of the euro zone crisis in April. Spain's governmental and banking-sector debt problems, combined with uncertainty about the general election in Greece, created significant unrest. Another negative factor for the markets was the ebbing away of liquidity support. The markets had benefited in previous months from the large quantity of liquidity that the central banks had pumped into the financial system. Lastly, more and more economies fell short of expectations. The upward trend in positive economic surprises came to an end and subsequently fell sharply.

Equity Portfolio

The equity portfolio outperformed its reference index during the second quarter. The financials and consumer discretionary sectors contributed the most to results, whereas the material sector detracted the most from performance. On a country level, active bets in Hong Kong and South Korea contributed the most to the portfolio, whereas active bets in Indonesia detracted the most.

Option Portfolio

During the quarter we wrote call options against the Asian/Pacific indices (ASX, KOSPI 200, TWSE and Hang Seng). The option portfolio consists of a basket of short-dated index options with a low tracking error to the shared reference index of the international equity portfolio, the MSCI All Country Asia Pacific ex-Japan Index. The actual composition of the option basket may be adjusted to capitalize on the relative attractiveness of volatility premiums and market trading opportunities.

The options were generally sold having a maturity in the range of four to five weeks. The coverage ratio for the Asian Pacific portfolio was 25%. Options were sold generally at-the-money and implemented in the over-the-counter market to enable the Fund managers to profit from its flexibility, liquidity and opportunities.

During the second quarter, markets declined and implied volatility increased. The premiums collected by writing calls exceeded the amounts that were settled at expiry of the options. This had a positive effect on performance and the Fund's objective to reduce volatility of the net asset value (NAV) was met.

Outlook and Current Strategy

Individual investors are far less optimistic than a few months ago. This often acts as a contrarian indicator. Last September, we reached comparable pessimistic readings and the market rallied by more than 20% over the next six months. Of course, the likelihood remains high for an extreme-return outcome, either positive or negative. The downside risk is a continuation of the European sovereign debt crisis causing a global recession. This would lead to substantially lower earnings in 2012 and would prevent any increase in valuation multiples. The upside potential is driven by the outcome of a comprehensive solution to the euro zone crisis, which would lead to a reduction in the required risk premiums and hence higher valuation metrics. Under this scenario, global growth would hold up and the earnings downturn in Europe would remain mild.

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Performance

For the quarter, the ING Asia Pacific High Dividend Equity Income Fund returned -4.51% on a net asset value basis and -1.28% on a market value basis. The Fund's reference index, the MSCI All Country Asia Pacific ex-Japan Index, returned -6.32% for the same period.

Past performance is no guarantee of future results.

The performance quoted represents past performance. Investment return and principal value of an investment will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

Principal Risks: All investing involves risks of fluctuating prices and the uncertainties of rates of return and yield inherent in investing. Price volatility, liquidity, and other risks that accompany an investment in equity securities of domestic and foreign companies, and small and mid sized capitalized companies. International investing does pose special risks including currency fluctuation, economic and political risks not found in investments that are solely domestic. Risks of foreign investing are generally intensified for investments in emerging markets. Bond investments are subject to interest rate risk such that when interest rates rise, the prices of bonds, and thus the value of the Fund, can decline and the investor can lose principal value. This Fund has additional risks which you should consider, such as: Market Discount Risk, Investment and Market Risk, Foreign Investment and Emerging Markets Risk, Foreign (non-U.S.) Currency Risk, Asia Pacific Regional and Country Risk, Options Risk, Issuer Risk, Equity Risk, Distribution Risk, Tax Risk, Dividend Risk, Small-Cap and Mid-Cap Companies Risk.

These and other risks are described more fully in the Fund's prospectus and the most current annual or semi-annual report. The prospectus should be read carefully before investing. Consider the Fund's investment objective, risks, and charges and expenses carefully before investing.

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